

HOUSE BILL No. 2018

DIGEST OF INTRODUCED BILL

Citations Affected: IC 4-4-8-9; IC 6-1.1; IC 6-2.5; IC 6-3-8-4.1; IC 6-3.1-2-1; IC 6-3.5-1.1; IC 20-1; IC 20-2; IC 20-3-11; IC 20-3.1-15-1; IC 20-4; IC 20-5; IC 20-8.1; IC 20-9.1-1-3; IC 20-10.1-6.5-1; IC 21-2; IC 21-4-20-1; IC 32-9-1.5-16; IC 36-1-2-2; IC 36-7-15.1-26.9.

Synopsis: Elimination of school general fund property tax. Prohibits a school corporation from imposing a general fund property tax levy beginning in 2006. Provides a property tax replacement credit for school general fund property taxes in 2002 through 2005, beginning at 20% and increasing by 20% each year. Requires that an additional 20% of the sales tax be deposited into the state general fund beginning in 2005. Reduces the amount of sales tax that is deposited into the property tax replacement fund in 2005. Provides that the sales tax applies to services except for legal and medical services beginning in 2005. Increases the supplemental net corporate income tax from 4.5% to 6% beginning in 2005. Annually appropriates \$120,000,000 from the state general fund for distribution to public school corporations throughout the state beginning 2006.

Effective: Upon passage; July 1, 2001; January 1, 2002; March 1, 2004; January 1, 2005; January 1, 2006.

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January 17, 2001, read first time and referred to Committee on Ways and Means.



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Introduced

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

HOUSE BILL No. 2018

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 4-4-8-9 IS AMENDED TO READ AS FOLLOWS
2 [EFFECTIVE JULY 1, 2001]: Sec. 9. **(a)** Any qualified entity receiving
3 a loan under this chapter may levy an annual tax on personal and real
4 property located within its geographical limits for industrial
5 development purposes, in addition to any other tax authorized by
6 statute to be levied for such purposes, at such rate as will produce
7 sufficient revenue to pay the annual installment and interest on any
8 loan made under this chapter. **Except as provided in subsection (b),**
9 such a tax may be in addition to the maximum annual rates prescribed
10 by IC 6-1.1-18, IC 6-1.1-18.5, IC 6-1.1-19, and other statutes.

11 **(b) After December 31, 2005, the tax described in subsection (a)**
12 **may be in addition to the maximum annual rates prescribed by**
13 **IC 6-1.1-18, IC 6-1.1-18.5, and other statutes.**

14 SECTION 2. IC 6-1.1-1-8.3 IS ADDED TO THE INDIANA CODE
15 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
16 1, 2001]: Sec. 8.3. **After December 31, 2005, for purposes of**
17 **IC 6-1.1-19, "general fund" means the fund that the governing**

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body of a school corporation is required to establish by IC 21-2-11-2.

SECTION 3. IC 6-1.1-1-16.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 16.5. After December 31, 2005, for purposes of IC 6-1.1-19, "school year" means the period from July 1 of each year until June 30 of the following year.**

SECTION 4. IC 6-1.1-1-19.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 19.5. After December 31, 2005, for purposes of IC 6-1.1-19, "tax control board" means the school property tax control board established by IC 6-1.1-19-4.1.**

SECTION 5. IC 6-1.1-17-1.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 1.5. (a) This section applies to a budget governing an expenditure from a school corporation's general fund after December 31, 2005.**

(b) A budget for a school corporation's general fund is subject to the same budget and review procedures under this chapter as a fund for which a property tax is levied.

SECTION 6. IC 6-1.1-17-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 3. (a) The proper officers of a political subdivision shall formulate its estimated budget and its proposed tax rate and tax levy on the form prescribed by the state board of tax commissioners and approved by the state board of accounts. The political subdivision shall give notice by publication to taxpayers of:**

- (1) the estimated budget;
- (2) the estimated maximum permissible levy;
- (3) the current and proposed tax levies of each fund; ~~and~~
- (4) the amounts of excessive levy appeals to be requested; ~~and~~
- (5) after December 31, 2004, the current and proposed amount of revenue to be distributed by the state during the budget year to the general fund of a school corporation.**

In the notice, the political subdivision shall also state the time and place at which a public hearing will be held on these items. The notice shall be published twice in accordance with IC 5-3-1 with the first publication at least ten (10) days before the date fixed for the public hearing.

(b) The trustee of each township of the county shall:

- (1) estimate the amount necessary to meet the cost of poor relief in the township for the ensuing calendar year; and

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(2) publish with the township budget a tax rate sufficient to meet the estimated cost of poor relief.

The taxes collected as a result of this rate shall be credited to the county poor fund.

(c) The board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5-2 (before its repeal) may conduct the public hearing required under subsection (a):

(1) in any county of the solid waste management district; and

(2) in accordance with the annual notice of meetings published under IC 13-21-5-2.

SECTION 7. IC 6-1.1-17-5, AS AMENDED BY P.L.96-2000, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 5. (a) The officers of political subdivisions shall meet each year to fix the budget, tax rate, and tax levy of their respective subdivisions for the ensuing budget year as follows:

(1) The fiscal body of a consolidated city and county, not later than the last meeting of the fiscal body in September.

(2) The fiscal body of a second class city, not later than September 30.

(3) The proper officers of all other political subdivisions, not later than September 20.

Except in a consolidated city and county and in a second class city, the public hearing required by section 3 of this chapter must be completed at least ten (10) days before the proper officers of the political subdivision meet to fix the budget, tax rate, and tax levy. In a consolidated city and county and in a second class city, that public hearing, by any committee or by the entire fiscal body, may be held at any time after introduction of the budget.

(b) Ten (10) or more taxpayers may object to a budget, tax rate, or tax levy of a political subdivision fixed under subsection (a) by filing an objection petition with the proper officers of the political subdivision not more than seven (7) days after the hearing. The objection petition must specifically identify the provisions of the budget, tax rate, and tax levy to which the taxpayers object.

(c) If a petition is filed under subsection (b), the fiscal body of the political subdivision shall adopt with its budget a finding concerning the objections in the petition and any testimony presented at the adoption hearing.

(d) This subsection does not apply to a school corporation. Each year at least two (2) days before the first meeting of the county board of tax adjustment held under IC 6-1.1-29-4, a political subdivision shall file with the county auditor:

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(1) a statement of the tax rate and levy fixed by the political subdivision for the ensuing budget year;

(2) two (2) copies of the budget adopted by the political subdivision for the ensuing budget year; ~~and~~

(3) two (2) copies of any findings adopted under subsection (c);

(4) after December 31, 2004, and if the political subdivision is a school corporation, the proposed amount of revenue to be distributed by the state during the budget year to the general fund of the school corporation; and

(5) if the political subdivision is a school corporation, any written notification from the state board of tax commissioners under section 16(i) of this chapter that specifies a proposed revision, reduction, or increase in the budget adopted by the school corporation for the ensuing budget year.

Each year the county auditor shall present these items to the county board of tax adjustment at the board's first meeting.

(e) In a consolidated city and county and in a second class city, the clerk of the fiscal body shall, notwithstanding subsection (d), file the adopted budget and tax ordinances with the county board of tax adjustment ~~within not later than~~ two (2) days after the ordinances are signed by the executive, or ~~within not later than~~ two (2) days after action is taken by the fiscal body to override a veto of the ordinances, whichever is later.

SECTION 8. IC 6-1.1-17-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) The county board of tax adjustment shall review the budget, tax rate, and tax levy of each political subdivision filed with the county auditor under section 5 ~~or 5.1~~ of this chapter. The board shall revise or reduce, but not increase, any budget, tax rate, or tax levy in order:

(1) to limit the tax rate to the maximum amount permitted under IC 6-1.1-18; and

(2) to limit the budget to the amount of revenue to be available in the ensuing budget year for the political subdivision.

(b) The county board of tax adjustment shall make a revision or reduction in a political subdivision's budget only with respect to the total amounts budgeted for each office or department within each of the major budget classifications prescribed by the state board of accounts.

(c) When the county board of tax adjustment makes a revision or reduction in a budget, tax rate, or tax levy, it shall file with the county auditor a written order which indicates the action taken. If the board reduces the budget, it shall also indicate the reason for the reduction in the order. The chairman of the county board shall sign the order.

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SECTION 9. IC 6-1.1-17-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. If the boundaries of a political subdivision cross one (1) or more county lines, the budget, tax levy, and tax rate fixed by the political subdivision shall be filed with the county auditor of each affected county in the manner prescribed in section 5 ~~or 5-1~~ of this chapter. The board of tax adjustment of the county which contains the largest portion of the value of property taxable by the political subdivision, as determined from the abstracts of taxable values last filed with the auditor of state, has jurisdiction over the budget, tax rate, and tax levy to the same extent as if the property taxable by the political subdivision were wholly within the county. The secretary of the county board of tax adjustment shall notify the county auditor of each affected county of the action of the board. Appeals from actions of the county board of tax adjustment may be initiated in any affected county.

SECTION 10. IC 6-1.1-17-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 8. (a) If the county board of tax adjustment determines that the maximum aggregate tax rate permitted within a political subdivision under IC ~~1971~~, 6-1.1-18 is inadequate, the county board shall, subject to the limitations prescribed in IC ~~1971~~, 6-1.1-19-2 (**repealed January 1, 2006**), file its written recommendations in duplicate with the county auditor. The board shall include with its recommendations:

- (1) an analysis of the aggregate tax rate within the political subdivision;
- (2) a recommended breakdown of the aggregate tax rate among the political subdivisions whose tax rates compose the aggregate tax rate within the political subdivision; and
- (3) any other information which the county board considers relevant to the matter.

(b) The county auditor shall forward one (1) copy of the county board's recommendations to the state board of tax commissioners and shall retain the other copy in ~~his~~ **the auditor's** office. The state board of tax commissioners shall, in the manner prescribed in section 16 of this chapter, review the budgets, tax rates, and tax levies of the political subdivisions described in subsection (a)(2) of this section.

SECTION 11. IC 6-1.1-17-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 10. **(a)** When the aggregate tax rate within a political subdivision, as approved or modified by the county board of tax adjustment, exceeds the maximum aggregate tax rate prescribed in IC ~~1971~~, 6-1.1-18-3(a), the county auditor shall certify the budgets, tax rates, and tax levies of the political

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subdivisions whose tax rates compose the aggregate tax rate within the political subdivision, as approved or modified by the county board, to the state board of tax commissioners for final review. For purposes of this section, the maximum aggregate tax rate limit exceptions provided in IC ~~1971~~, 6-1.1-18-3(b) do not apply.

(b) After June 30, 2004, the county auditor shall certify the general fund budgets of each school corporation, as modified by the county board of tax adjustment, to the state board of tax commissioners for final review.

SECTION 12. IC 6-1.1-17-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 13. Ten (10) or more taxpayers may initiate an appeal from the county board of tax adjustment's action on a political subdivision's budget by filing a statement of their objections with the county auditor. The statement must be filed within ten (10) days after the publication of the notice required by section 12 of this chapter. The statement shall specifically identify the provisions of the budget and **for funds for which a property tax is imposed, the** tax levy to which the taxpayers object. The county auditor shall forward the statement, with the budget, to the state board of tax commissioners.

SECTION 13. IC 6-1.1-17-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 16. (a) Subject to the limitations and requirements prescribed in this section, the state board of tax commissioners may revise, reduce, or increase a political subdivision's budget, tax rate, or tax levy ~~which that~~ the board reviews under section 8 or 10 of this chapter.

(b) Subject to the limitations and requirements prescribed in this section, the state board of tax commissioners may review, revise, reduce, or increase the budget, tax rate, or tax levy of any of the political subdivisions whose tax rates compose the aggregate tax rate within a political subdivision whose budget, tax rate, or tax levy is the subject of an appeal initiated under this chapter.

(c) Except as provided in subsection (i), before the state board of tax commissioners reviews, revises, reduces, or increases a political subdivision's budget, tax rate, or tax levy under this section, the board must hold a public hearing on the budget, tax rate, and tax levy. The board shall hold the hearing in the county in which the political subdivision is located. The board may consider the budgets, tax rates, and tax levies of several political subdivisions at the same public hearing. At least five (5) days before the date fixed for a public hearing, the board shall give notice of the time and place of the hearing and of the budgets, levies, and tax rates to be considered at the hearing. The

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board shall publish the notice in two (2) newspapers of general circulation published in the county. However, if only one (1) newspaper of general circulation is published in the county, the board shall publish the notice in that newspaper.

(d) Except as provided in:

(1) subsection (h);

(2) IC 6-1.1-19, for ad valorem property taxes first due and payable before January 1, 2006; or

(3) IC 6-1.1-18.5;

the state board of tax commissioners may not increase a political subdivision's budget, tax rate, or tax levy to an amount which exceeds the amount originally fixed by the political subdivision. The state board of tax commissioners shall give the political subdivision written notification specifying any revision, reduction, or increase the state board of tax commissioners proposes in a political subdivision's tax levy or tax rate. The political subdivision has one (1) week from the date the political subdivision receives the notice to provide a written response to the state board of tax commissioners' Indianapolis office specifying how to make the required reductions in the amount budgeted for each office or department. The state board of tax commissioners shall make reductions as specified in the political subdivision's response if the response is provided as required by this subsection and sufficiently specifies all necessary reductions. The state board of tax commissioners may make a revision, a reduction, or an increase in a political subdivision's budget only in the total amounts budgeted for each office or department within each of the major budget classifications prescribed by the state board of accounts.

(e) The state board of tax commissioners may not approve a levy for lease payments by a city, town, county, library, or school corporation if the lease payments are payable to a building corporation for use by the building corporation for debt service on bonds and if:

(1) no bonds of the building corporation are outstanding; or

(2) the building corporation has enough legally available funds on hand to redeem all outstanding bonds payable from the particular lease rental levy requested.

(f) The action of the state board of tax commissioners on a budget, tax rate, or tax levy is final. The board shall certify its action to:

(1) the county auditor; and

(2) the political subdivision if the state board acts pursuant to an appeal initiated by the political subdivision.

(g) The state board of tax commissioners is expressly directed to complete the duties assigned to it under this section not later than

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February 15th of each year for taxes to be collected during that year.

(h) Subject to the provisions of all applicable statutes, the state board of tax commissioners may increase a political subdivision's tax levy to an amount that exceeds the amount originally fixed by the political subdivision if the increase is:

(1) requested in writing by the officers of the political subdivision;

(2) either:

(A) based on information first obtained by the political subdivision after the public hearing under section 3 of this chapter; or

(B) results from an inadvertent mathematical error made in determining the levy; and

(3) published by the political subdivision according to a notice provided by the state board of tax commissioners.

(i) The state board of tax commissioners shall annually review the budget of each school corporation not later than ~~April 1~~ **February 15**. The state board of tax commissioners shall give the school corporation written notification specifying any revision, reduction, or increase the state board of tax commissioners proposes in the school corporation's budget. A public hearing is not required in connection with this review of the budget.

SECTION 14. IC 6-1.1-18-3, AS AMENDED BY P.L.273-1999, SECTION 54, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 3. (a) Except as provided in subsection (b), the sum of all tax rates for all political subdivisions imposed on tangible property within a political subdivision may not exceed:

(1) forty-one and sixty-seven hundredths cents (\$0.4167) on each one hundred dollars (\$100) of assessed valuation in territory outside the corporate limits of a city or town; or

(2) sixty-six and sixty-seven hundredths cents (\$0.6667) on each one hundred dollars (\$100) of assessed valuation in territory inside the corporate limits of a city or town.

(b) **Except as provided in IC 6-1.1-19-1.9**, the proper officers of a political subdivision shall fix **property** tax rates which are sufficient to provide funds for the purposes itemized in this subsection. The portion of a tax rate fixed by a political subdivision **for a property tax levy** shall not be considered in computing the tax rate limits prescribed in subsection (a) if that portion is to be used for one (1) of the following purposes:

(1) To pay the principal or interest on a funding, refunding, or judgment funding obligation of the political subdivision.



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(2) To pay the principal or interest on an outstanding obligation issued by the political subdivision if notice of the sale of the obligation was published before March 9, 1937.

(3) To pay the principal or interest upon:

(A) an obligation issued by the political subdivision to meet an emergency which results from a flood, fire, pestilence, war, or any other major disaster; or

(B) a note issued under IC 36-2-6-18, IC 36-3-4-22, IC 36-4-6-20, or IC 36-5-2-11 to enable a city, town, or county to acquire necessary equipment or facilities for municipal or county government.

(4) To pay the principal or interest upon an obligation issued in the manner provided in IC 6-1.1-20-3 (before its repeal) or IC 6-1.1-20-3.1 through IC 6-1.1-20-3.2.

(5) To pay a judgment rendered against the political subdivision.

(6) To meet the requirements of the family and children's fund for child services (as defined in IC 12-19-7-1).

(7) To meet the requirements of the county hospital care for the indigent fund.

(c) Except as otherwise provided in IC 6-1.1-19 or IC 6-1.1-18.5, a county board of tax adjustment, a county auditor, or the state board of tax commissioners may review the portion of a tax rate described in subsection (b) only to determine if it exceeds the portion actually needed to provide for one (1) of the purposes itemized in that subsection.

SECTION 15. IC 6-1.1-18-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 5. (a) If the proper officers of a political subdivision desire to appropriate more money for a particular year than the amount prescribed in the budget for that year as finally determined under this article, they shall give notice of their proposed additional appropriation. The notice shall state the time and place at which a public hearing will be held on the proposal. The notice shall be given once in accordance with IC 5-3-1-2(b).

(b) If the additional appropriation by the political subdivision is made from: ~~a fund that receives:~~

(1) ~~a fund that receives~~ distributions from the motor vehicle highway account established under IC 8-14-1-1 or the local road and street account established under IC 8-14-2-4; ~~or~~

(2) ~~a fund that receives~~ revenue from property taxes levied under IC 6-1.1; ~~or~~

(3) ~~after June 30, 2004, the general fund of a school corporation;~~

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the political subdivision must report the additional appropriation to the state board of tax commissioners. If the additional appropriation is made from a fund described under this subsection, subsections (f), (g), (h), and (i) apply to the political subdivision.

(c) However, if the additional appropriation is not made from a fund described under subsection (b), subsections (f), (g), (h), and (i) do not apply to the political subdivision. Subsections (f), (g), (h), and (i) do not apply to an additional appropriation made from the cumulative bridge fund if the appropriation meets the requirements under IC 8-16-3-3(c).

(d) A political subdivision may make an additional appropriation without approval of the state board of tax commissioners if the additional appropriation is made from a fund that is not described under subsection (b). However, the fiscal officer of the political subdivision shall report the additional appropriation to the state board of tax commissioners.

(e) After the public hearing, the proper officers of the political subdivision shall file a certified copy of their final proposal and any other relevant information to the state board of tax commissioners.

(f) When the state board of tax commissioners receives a certified copy of a proposal for an additional appropriation under subsection (e), the board shall determine whether sufficient funds are available or will be available for the proposal. The determination shall be made in writing and sent to the political subdivision not more than fifteen (15) days after the board receives the proposal.

(g) In making the determination under subsection (f), the board shall limit the amount of the additional appropriation to revenues available, or to be made available, which have not been previously appropriated.

(h) If the state board of tax commissioners disapproves an additional appropriation under subsection (f), the state board of tax commissioners shall specify the reason for its disapproval on the determination sent to the political subdivision.

(i) A political subdivision may request a reconsideration of a determination of the state board of tax commissioners under this section by filing a written request for reconsideration. A request for reconsideration must:

(1) be filed with the state board of tax commissioners within fifteen (15) days of the receipt of the determination by the political subdivision; and

(2) state with reasonable specificity the reason for the request.

The state board of tax commissioners must act on a request for reconsideration within fifteen (15) days of receiving the request.

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SECTION 16. IC 6-1.1-19-1.9 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 1.9. (a) This section applies to ad valorem property taxes first due and payable after December 31, 2005.**

(b) Except as provided in:

- (1) IC 20-5-15-2 (public library in connection with school);**
- (2) IC 20-5-16-2 (nursery schools);**
- (3) IC 20-5-17-2 (Children's Museum in Marion County);**
- (4) IC 20-5-17.5-2 (historical societies);**
- (5) IC 20-5-17.5-4 (cultural institutions); and**
- (6) IC 20-5-37-4 (public playgrounds);**

a school corporation may not levy an ad valorem property tax for the school corporation's general fund.

SECTION 17. IC 6-1.1-19-4.4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 4.4. (a) With respect to every appeal petition for property taxes first due and payable before January 1, 2006, that is delivered to the tax control board by the state board of tax commissioners under section 4.1 of this chapter and that does not include a request for emergency financial relief, and with respect to every appeal petition for property taxes first due and payable after December 31, 2005, to a fund other than the general fund if another statute provides for an appeal under this section, the tax control board shall, after the tax control board makes the study of the appeal petition and related materials that the tax control board considers necessary, recommend to the state board of tax commissioners, in respect of the particular appeal petition that:**

- (1) the order of the county board of tax adjustment or the county auditor in respect of the appellant school corporation's budget, ad valorem property tax levy, or ad valorem property tax rate for the ensuing calendar year be approved;**
- (2) the order of the county board of tax adjustment or the county auditor in respect of the appellant school corporation's budget, ad valorem property tax levy, or ad valorem property tax rate be disapproved and that the appellant school corporation's budget, ad valorem property tax levy, or ad valorem property tax rate be reduced as specified in the tax control board's recommendation;**
- (3) the order of the county board of tax adjustment or the county auditor in respect of the appellant school corporation's budget, ad valorem property tax levy, or ad valorem property tax rate be disapproved and that the appellant school corporation's budget, ad valorem property tax levy, or ad valorem property tax rate be**



increased as specified in the tax control board's recommendation;
or

(4) for property taxes first due and payable before January 1, 2006, combined with a recommendation allowed under subdivision (1), (2), or (3), the adjusted base tax levy for the school corporation be increased if the school corporation can show a need for the increased adjusted base levy due to:

(A) the opening after December 31, 1972, of a new school facility; or

(B) the opening after July 1, 1988, of an existing facility that has not been used for at least three (3) years and that is being reopened to provide additional classroom space.

The adjusted base levy increase, if approved by the tax control board, shall be an amount equal to the increase in costs resulting to the school corporation from the opening and operation of the new school facility or the reopening and operation of an existing facility that has not been used for at least three (3) years and that is being reopened to provide additional classroom space. In determining those increased costs, the tax control board shall consider the costs to the school corporation of complying with safety, health, space, heat, or lighting standards required by state or federal law or regulation, and the other physical operation costs that in the opinion of the tax control board justify an adjustment in the school corporation's adjusted base levy.

(b) With respect to an appeal petition described in this section, the tax control board may not make a recommendation that, if followed by the state board of tax commissioners, would authorize the appellant school corporation for ~~the~~ **an** ensuing calendar year **before January 1, 2006:**

(1) to collect a general fund tax levy in excess of the general fund tax levy initially adopted and advertised by the appellant school corporation;

(2) to impose a general fund tax rate in excess of the general fund tax rate initially adopted and advertised by the appellant school corporation; or

(3) to collect an excessive tax levy.

With respect to an appeal petition described in this section, the tax control board may not make a recommendation that, if followed by the state board of tax commissioners, would authorize the appellant school corporation for an ensuing calendar year after December 31, 2005, to levy an ad valorem property tax for the school corporation's general fund.

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(c) This subsection applies to a school budget for an expenditure from the school general fund after December 31, 2005. If the tax control board concludes, after studying an appeal petition, that the appellant school corporation cannot, in the ensuing calendar year, carry out the public educational duty committed to the appellant school corporation by law, and if for the ensuing calendar year, the appellant school corporation does not receive emergency financial relief, the tax control board may recommend to the state board of tax commissioners that the order of the county board of tax adjustment or the county auditor in respect to the budget of the appellant school corporation be approved, or disapproved and modified as specified in the tax control board's recommendation, and that the appellant school corporation receive emergency financial relief from the state on terms to be specified by the tax control board in the board's recommendation, in the form of:

- (1) a grant or grants from the funds of the state that are available for such a purpose;
- (2) a loan or loan from funds of the state that are available for such a purpose;
- (3) permission to the appellant school corporation to borrow funds from a source other than the state or assistance in obtaining the loan;
- (4) an advance or advances of funds that will become payable to the appellant school corporation under a law providing for the payment of state funds to school corporations;
- (5) permission to use, for general fund purposes, an unobligated balance in a construction fund, including unobligated proceeds of a sale of the school corporation's general obligation bonds; or
- (6) a combination of the emergency financial relief described in subdivisions (1) through (5).

The tax control board shall recommend the source of the repayment of a loan recommended under this subsection. The tax control board may not recommend the imposition of an ad valorem property tax levy to repay the loan. The state board of tax commissioners may accept, reject, or accept and modify a recommendation made by the tax control board under this subsection.

(d) A school corporation, with respect to which the tax control board recommends and the state board of tax commissioners authorizes emergency financial relief under subsection (c), is, if the school corporation accepts the authorized relief, prohibited



throughout a calendar year in which or for which the school corporation receives the emergency financial relief from taking the prohibited actions described in this subsection until the action is recommended by the tax control board to the state board of tax commissioners and authorized by the state board of tax commissioners. The prohibited actions are any of the following:

(1) The acquisition of real estate for school building purposes, the construction of new buildings, or the remodeling or renovation of existing school buildings.

(2) Leasing of real or personal property for an annual rental or incurring any other contractual obligation (except an employment contract for a new employee, which is to supercede the contract of a terminating employee) calling for an annual outlay by the school corporation of more than ten thousand dollars (\$10,000).

(3) The purchase of personal property for a consideration of more than ten thousand dollars (\$10,000).

(4) The adoption or advertising of a budget, tax levy, or tax rate for a calendar year.

(e) If a school corporation subject to the controls described in subsection (d) takes any of the actions described in subsection (d) without having first obtained the recommendation of the tax control board and the authorization of the state board of tax commissioners for the action, the state board of tax commissioners may take appropriate steps to reduce or terminate any emergency financial relief that the school corporation may then be receiving under subsection (c).

SECTION 18. IC 6-1.1-19-5.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 5.3. (a) **This subsection applies only to an ad valorem property tax levy that is first due and payable before January 1, 2006.** The tax control board may recommend to the state board of tax commissioners a correction of mathematical errors in data that affect the determination of:

(1) a school corporation's adjusted base levy;

(2) a school corporation's excessive tax levy; or

(3) a school corporation's normal tax levy.

(b) The state board of tax commissioners may correct mathematical errors in data for any school corporation.

SECTION 19. IC 6-1.1-19-5.4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5.4. (a) A school corporation may appeal to the state board of tax commissioners under this chapter to increase the maximum operating costs levy that is

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permitted for the school corporation's ~~operating costs account~~ for its transportation fund under IC 21-2-11.5. To be granted an increase by the state board of tax commissioners, the school corporation must establish that the increase is necessary because of a transportation operating cost increase of at least ten percent (10%) over the preceding year as a result of at least one (1) of the following:

- (1) A fuel expense increase.
- (2) A significant increase in the number of students enrolled in the school corporation that need transportation or a significant increase in the mileage traveled by the school corporation's buses compared to the previous year.
- (3) A significant increase in the number of students enrolled in special education who need transportation or a significant increase in the mileage traveled by the school corporation's buses due to students enrolled in special education as compared to the previous year.
- (4) Increased transportation operating costs due to compliance with a court ordered desegregation plan.
- (5) The closure of a school building within the school corporation that results in a significant increase in the distances that students must be transported to attend another school building.

In addition, before the state board of tax commissioners may grant a maximum ~~operating costs account~~ **transportation fund** levy increase, the school corporation must establish that the school corporation will be unable to provide transportation services without an increase. The state board of tax commissioners may grant a maximum operating costs levy increase that is less than the increase requested by the school corporation.

(b) If the state board of tax commissioners determines that a permanent increase in the maximum permissible ~~operating costs~~ **transportation fund** levy is necessary, the maximum ~~operating costs~~ **transportation fund** levy after the increase granted under this section becomes the school corporation's maximum permissible transportation ~~fund's operating costs account~~ **fund** levy under IC 21-2-11.5.

SECTION 20. IC 6-1.1-19-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 7. **(a) As used in this section, "excessive tax levy" has the meaning set forth in section 1 of this chapter (repealed January 1, 2006).**

(b) Any recommendation that is to be made by the tax control board to the state board of tax commissioners pursuant to any provision of this chapter shall be made at such a time as is prescribed in this chapter and, if no time for the making of such a recommendation is prescribed



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in this chapter, then the recommendation shall be made at such a time as will permit the state board of tax commissioners to complete those duties of the board that are defined in IC ~~1971~~, 6-1.1-17 within the time allowed by law for the completion of those duties, or such additional time as is reasonably necessary for the state board of tax commissioners and the tax control board to complete the duties provided by this chapter. No **ad valorem property** tax levy shall be invalid because of the failure of either board to complete its duties within the time or time limits provided by this chapter or any other law. Subject to the provisions of this chapter, the state board of tax commissioners may accept, reject, or accept in part and reject in part any recommendation of the tax control board that is made to it under this chapter and may make any order that is consistent with the provisions of IC ~~1971~~, 6-1.1-17. The state board of tax commissioners may not approve or authorize an excessive tax levy **that is first due and payable before January 1, 2006**, except in accordance with the provisions of this chapter. **The state board of tax commissioners may not approve or authorize an excessive tax levy that is first due and payable after December 31, 2005.**

SECTION 21. IC 6-1.1-19-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 10. (a) This section applies to a school corporation that:

- (1) is located in a county having a population of more than three hundred thousand (300,000) but less than four hundred thousand (400,000);
- (2) is a party to a lawsuit alleging that its schools are segregated in violation of the Constitution of the United States or federal law;
- (3) desires to improve or maintain racial balance among two (2) or more schools within the school corporation, regardless of the school corporation's basis for desiring to improve or maintain racial balance; and
- (4) has a minority student enrollment that comprises at least ten percent (10%) of its total student enrollment, using the most recent enrollment data available to the school corporation.

(b) As used in this section, "minority student" means a student who is black, Spanish American, Asian American, or American Indian.

(c) A school corporation may establish a racial balance fund and petition the school property tax control board to impose an ad valorem property tax to raise revenue for the fund. However, before a school corporation may impose an ad valorem property tax under this section, the school corporation must file a petition with the school property tax control board. The petition must be filed before June 1 of the year



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preceding the first year the school corporation desires to impose the property tax and must include the following:

- (1) The name of the school corporation.
- (2) A settlement agreement among the parties to a desegregation lawsuit that includes the program that will improve or maintain racial balance in the school corporation.
- (3) The proposed property tax levy.
- (4) Any other item required by the school property tax control board.

(d) The school property tax control board may recommend to the state board of tax commissioners that a school corporation be allowed to establish a racial balance fund to be funded by an ad valorem property tax levy. The amount of the levy shall be determined each year and the levy may not exceed the lesser of the following:

- (1) The revenue derived from a tax rate of eight and thirty-three hundredths cents (\$0.0833) for each one hundred dollars (\$100) of assessed valuation within the school corporation.
- (2) The revenue derived from a tax rate equal to the difference between the maximum rate allowed for the school corporation's capital projects fund under IC 21-2-15 minus the actual capital projects fund rate that will be in effect for the school corporation for a particular year.

(e) The state board of tax commissioners shall review the petition of the school corporation and the recommendation of the school property tax control board and:

- (1) disapprove the petition if the petition does not comply with this section;
- (2) approve the petition; or
- (3) approve the petition with modifications.

(f) **This subsection applies to property taxes first due and payable before January 1, 2006.** A property tax levy under this section is in addition to, and not part of, the school corporation's general fund property tax levy for purposes of determining the school corporation's maximum permissible general fund property tax levy under this chapter.

(g) Money received from a property tax levy under this section shall be deposited in the school corporation's racial balance fund established under this section. Money in the fund may be used only for education programs that improve or maintain racial balance in the school corporation. However, money in the fund may not be used for:

- (1) transportation; or
- (2) capital improvements;

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even though those costs may be attributable to the school corporation's proposed programs for improving or maintaining racial balance in the school corporation.

SECTION 22. IC 6-1.1-19-12 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 12. (a) As used in this section, "revenues" means motor vehicle excise tax distributions under IC 6-6-5, commercial vehicle excise tax distributions under IC 6-6-5.5, and any other allocation of state tax collections or distributions that by statute:**

(1) are distributed to school corporations;

(2) are based on the property tax levies imposed by the taxing units in a county.

The term does not include homestead credits or property tax replacement credits.

(b) After December 31, 2005, a school corporation is entitled to receive for the school corporation's general fund a part of the revenues that are distributed within the county. The amount that the school corporation is entitled to receive during a calendar year equals the amount determined under STEP FIVE of the following formula:

STEP ONE: Determine the amount of revenue that is available for distribution in the county in the distribution year.

STEP TWO: Determine the product of:

(A) the average annual percentage of the school general fund budget, using calendar years 2000, 2001, and 2002, that was comprised of property tax revenues, including any property tax replacement credits or homestead credits; multiplied by

(B) the school general fund budget for the distribution year.

STEP THREE: Determine the sum of:

(A) the property tax levies imposed by all taxing units in the county; and

(B) the amounts determined in STEP TWO for all school corporations in the county in proportion to the amount of taxable property located in the school corporation and the county;

for that calendar year.

STEP FOUR: Determine the result of the STEP TWO amount divided by the STEP THREE sum.

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1 **STEP FIVE: multiply the STEP ONE amount by the STEP**
 2 **FOUR result.**

3 **(c) The amount of revenues distributed to:**

4 **(1) taxing units other than a school corporation; and**

5 **(2) funds of a school corporation for which a property tax levy**
 6 **is imposed;**

7 **shall be changed for that same year by reducing the amount of**
 8 **revenue distributed by the amount of revenue allocated under this**
 9 **section for that same calendar year. The state board of tax**
 10 **commissioners shall make any adjustments required by this section**
 11 **and provide them to the appropriate county auditors.**

12 **(d) A school corporation shall be treated as a taxing unit for**
 13 **purposes of a distribution of financial institutions tax revenue**
 14 **under IC 6-5.5-8-2.**

15 SECTION 23. IC 6-1.1-20-1.1 IS AMENDED TO READ AS
 16 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1.1. As used in this
 17 chapter, "controlled project" means any project financed by bonds or
 18 a lease, except for the following:

19 (1) A project for which the political subdivision reasonably
 20 expects to pay

21 ~~(A)~~ debt service or

22 ~~(B)~~ lease rentals

23 from funds other than property taxes that are:

24 **(A) exempt from the levy limitations of IC 6-1.1-18.5 or**

25 ~~IC 6-1.1-19. IC 6-1.1-19-1.5 (repealed January 1, 2006); or~~

26 **(B) after June 30, 2004, levied by a school corporation for**
 27 **a fund other than the school corporation's general fund.**

28 A project is not a controlled project even ~~though~~ if the political
 29 subdivision has pledged to levy property taxes to pay the debt
 30 service or lease rentals if those other funds are insufficient.

31 (2) A project that will not obligate the political subdivision to
 32 more than two million dollars (\$2,000,000) in debt service or
 33 lease rentals.

34 (3) A project that is being refinanced for the purpose of providing
 35 gross or net present value savings to taxpayers.

36 (4) A project for which bonds were issued or leases were entered
 37 into before January 1, 1996, or where the state board of tax
 38 commissioners has approved the issuance of bonds or the
 39 execution of leases before January 1, 1996.

40 (5) A project that is required by a court order holding that a
 41 federal law mandates the project.

42 SECTION 24. IC 6-1.1-20-1.3 IS AMENDED TO READ AS

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FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1.3. As used in this chapter, "lease" means a lease by a political subdivision of any controlled project with lease rentals payable from property taxes that are:

- (1) exempt from the levy limitations of IC 6-1.1-18.5 or ~~IC 6-1.1-19~~; **IC 6-1.1-19-1.5 (repealed January 1, 2006); or**
- (2) **levied by a school corporation for a fund other than the school corporation's general fund.**

SECTION 25. IC 6-1.1-21-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. As used in this chapter:

(a) "Taxpayer" means a person who is liable for taxes on property assessed under this article.

(b) "Taxes" means taxes payable in respect to property assessed under this article. The term does not include special assessments, penalties, or interest, but does include any special charges ~~which that~~ a county treasurer combines with all other taxes in the preparation and delivery of the tax statements required under IC 6-1.1-22-8(a).

(c) "Department" means the department of state revenue.

(d) "Auditor's abstract" means the annual report prepared by each county auditor which under IC 6-1.1-22-5, is to be filed on or before March 1 of each year with the auditor of state.

(e) "Mobile home assessments" means the assessments of mobile homes made under IC 6-1.1-7.

(f) "Postabstract adjustments" means adjustments in taxes made subsequent to the filing of an auditor's abstract ~~which that~~ change assessments therein or add assessments of omitted property affecting taxes for such assessment year.

(g) "Total county tax levy" means the sum of:

(1) the remainder of:

(A) the aggregate levy of all taxes for all taxing units in a county ~~which that~~ are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year, adjusted, however, for any postabstract adjustments ~~which that~~ change the amount of the aggregate levy; minus

(B) the sum of any increases in property tax levies of taxing units of the county that result from appeals described in:

(i) IC 6-1.1-18.5-13(5) and IC 6-1.1-18.5-13(6) filed after December 31, 1982; plus

(ii) the sum of any increases in property tax levies of taxing units of the county that result from any other appeals

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described in IC 6-1.1-18.5-13 filed after December 31, 1983; plus

(iii) IC 6-1.1-18.6-3 (children in need of services and delinquent children who are wards of the county); minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed), IC 12-19-5, or IC 12-20-24; minus

(D) the total amount of property taxes to be paid during the stated assessment year that will be used to pay for interest or principal due on debt that:

(i) is entered into after December 31, 1983;

(ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; and

(iii) does not constitute debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(F) the remainder of:

(i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6 or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

(i) IC 21-2-15 for a capital projects fund; plus

(ii) IC 6-1.1-19-10 for a racial balance fund; plus

(iii) IC 20-14-13 for a library capital projects fund; plus

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(iv) IC 20-5-17.5-3 for an art association fund; plus
 (v) IC 21-2-17 for a special education preschool fund; plus
 (vi) **before January 1, 2006**, an appeal filed under
 IC 6-1.1-19-5.1 (**repealed January 1, 2006**) for an increase
 in a school corporation's maximum permissible general fund
 levy for certain transfer tuition costs; plus

(vii) an appeal filed under IC 6-1.1-19-5.4 for an increase in
 a school corporation's maximum permissible ~~general~~
transportation fund levy for transportation operating costs;
 minus

(H) the amount of property taxes imposed by a school
 corporation **before January 1, 2006**, that is attributable to the
 passage, after 1983, of a referendum for an excessive tax levy
 under IC 6-1.1-19, including any increases in these property
 taxes that are attributable to the adjustment set forth in
 IC 6-1.1-19-1.5(a) STEP ONE (**repealed January 1, 2006**) or
 any other law; minus

(I) for each township in the county, the lesser of:

(i) the sum of the amount determined in IC 6-1.1-18.5-19(a)
 STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE,
 whichever is applicable, plus the part, if any, of the
 township's ad valorem property tax levy for calendar year
 1989 that represents increases in that levy that resulted from
 an appeal described in IC 6-1.1-18.5-13(5) filed after
 December 31, 1982; or

(ii) the amount of property taxes imposed in the township for
 the stated assessment year under the authority of
 IC 36-8-13-4; minus

(J) for each participating unit in a fire protection territory
 established under IC 36-8-19-1, the amount of property taxes
 levied by each participating unit under IC 36-8-19-8 and
 IC 36-8-19-8.5 less the maximum levy limit for each of the
 participating units that would have otherwise been available
 for fire protection services under IC 6-1.1-18.5-3 and
 IC 6-1.1-18.5-19 for that same year; minus

(K) for each county, the sum of:

(i) the amount of property taxes imposed in the county for
 the repayment of loans under IC 12-19-5-6 that is included
 in the amount determined under IC 12-19-7-4(a) STEP
 SEVEN for property taxes payable in 1995, or for property
 taxes payable in each year after 1995, the amount
 determined under IC 12-19-7-4(b); and

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- 1 (ii) the amount of property taxes imposed in the county
 2 attributable to appeals granted under IC 6-1.1-18.6-3 that is
 3 included in the amount determined under IC 12-19-7-4(a)
 4 STEP SEVEN for property taxes payable in 1995, or the
 5 amount determined under IC 12-19-7-4(b) for property taxes
 6 payable in each year after 1995; plus
 7 (2) all taxes to be paid in the county in respect to mobile home
 8 assessments currently assessed for the year in which the taxes
 9 stated in the abstract are to be paid; plus
 10 (3) the amounts, if any, of county adjusted gross income taxes that
 11 were applied by the taxing units in the county as property tax
 12 replacement credits to reduce the individual levies of the taxing
 13 units for the assessment year, as provided in IC 6-3.5-1.1; plus
 14 (4) the amounts, if any, by which the maximum permissible ad
 15 valorem property tax levies of the taxing units of the county were
 16 reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated
 17 assessment year; plus
 18 (5) the difference between:
 19 (A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR;
 20 minus
 21 (B) the amount the civil taxing units' levies were increased
 22 because of the reduction in the civil taxing units' base year
 23 certified shares under IC 6-1.1-18.5-3(e).
 24 (h) "December settlement sheet" means the certificate of settlement
 25 filed by the county auditor with the auditor of state, as required under
 26 IC 6-1.1-27-3.
 27 (i) "Tax duplicate" means the roll of property taxes ~~which that~~ each
 28 county auditor is required to prepare on or before March 1 of each year
 29 under IC 6-1.1-22-3.
 30 SECTION 26. IC 6-1.1-21.5-6 IS AMENDED TO READ AS
 31 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 6. (a) Except as
 32 specifically provided in subsection (c), the receipt by the qualified
 33 taxing unit of either the loan proceeds or any payment of delinquent tax
 34 owed by a taxpayer in bankruptcy, or both, is not considered to be part
 35 of the ad valorem property tax levy actually collected by the qualified
 36 taxing unit for taxes first due and payable during a particular calendar
 37 year for the purpose of calculating the levy excess under
 38 IC 6-1.1-18.5-17 and IC 6-1.1-19-1.7 **(repealed January 1, 2006)**.
 39 (b) The loan proceeds and any payment of delinquent tax may be
 40 expended by the qualified taxing unit only to pay debts of the qualified
 41 taxing unit that have been incurred pursuant to duly adopted
 42 appropriations approved by the state board of tax commissioners for

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operating expenses.

(c) In the event the sum of the receipts of the qualified taxing unit that are attributable to:

(1) the loan proceeds; and

(2) the payment of property taxes owed by a taxpayer in a bankruptcy proceeding initially filed in 1986 and payable in respect to the second installment of taxes due and payable in November 1986, and in respect to taxes due and payable in 1987; exceeds eleven million nine hundred thousand dollars (\$11,900,000), the excess as received during any calendar year or years shall be set aside and treated for the calendar year when received as a levy excess subject to IC 6-1.1-18.5-17 or IC 6-1.1-19-1.7 **(repealed January 1, 2006)**. In calculating the payment of property taxes as provided in subdivision (2), the amount of property tax credit ~~financially~~ **finally** allowed under IC 6-1.1-21-5 in respect to such taxes is deemed to be a payment of such property taxes.

(d) As used in this section, "delinquent tax" means any tax owed by a taxpayer in a bankruptcy proceeding initially filed in 1986 and that is not paid during the calendar year for which it was first due and payable.

SECTION 27. IC 6-1.1-21.7-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 14. Loan proceeds received under this chapter may not be considered to be a levy excess under IC 6-1.1-18.5-17 and IC 6-1.1-19-1.7 **(repealed January 1, 2006)**.

SECTION 28. IC 6-1.1-29-9, AS AMENDED BY P.L.273-1999, SECTION 57, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. (a) A county council may adopt an ordinance to abolish the county board of tax adjustment. This ordinance must be adopted by July 1 and may not be rescinded in the year it is adopted. Notwithstanding IC 6-1.1-17, IC 6-1.1-18, IC 6-1.1-19, IC 12-19-7, IC 21-2-14 **(repealed January 1, 2006)**, IC 36-8-6, IC 36-8-7, IC 36-8-7.5, IC 36-8-11, IC 36-9-3, IC 36-9-4, and IC 36-9-13, if such an ordinance is adopted, this section governs the treatment of tax rates, tax levies, and budgets that would otherwise be reviewed by a county board of tax adjustment under IC 6-1.1-17.

(b) The time requirements set forth in IC 6-1.1-17 govern all filings and notices.

(c) A tax rate, tax levy, or budget that otherwise would be reviewed by the county board of tax adjustment is considered and must be treated for all purposes as if the county board of tax adjustment approved the tax rate, tax levy, or budget. This includes the notice of tax rates that is

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required under IC 6-1.1-17-12.

SECTION 29. IC 6-1.1-30-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. (a) The state board of tax commissioners shall select the following employees in the manner prescribed in this section:

- (1) field representatives;
- (2) supervisors;
- (3) employees who are selected to work in the board's division of tax review; and
- (4) **before January 1, 2006**, employees who are selected to perform the duties assigned to the board under IC ~~1971~~, 6-1.1-34 **(repealed January 1, 2006)**.

(b) The state board of tax commissioners shall select each employee described in subsection (a) of this section from a list of applicants who have passed an open, competitive examination which tests ~~his~~ **the applicant's** qualifications for the position. The board shall announce the time and place of the examination in the public press before the examination is held and shall conduct the examination. The examination must be practical, and it must be related to those matters which fairly test an individual's qualifications for the position.

(c) The state board of tax commissioners shall:

- (1) select field representatives and supervisors so that no more than one-half (1/2) of all those employees belong to any one (1) political party;
- (2) select, as nearly as possible, the employees described in subsection (a)(3) of this section so that no more than one-half (1/2) of all those employees belong to any one (1) political party; and
- (3) **before January 1, 2006**, select, as nearly as possible, the employees described in subsection (a)(4) ~~of this section~~ so that no more than one-half (1/2) of those employees belong to any one (1) political party.

SECTION 30. IC 6-1.1-44 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]:

Chapter 44. Replacement of Property Tax Levies in Allocation Areas

Sec. 1. As used in this chapter, "allocation area" refers to an area that is established under the authority of any of the following statutes and in which property taxes levied by a unit other than the area are allocated to the use of the area:

- (1) IC 6-1.1-39-5.

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- (2) IC 8-22-3.5-9.
- (3) IC 36-7-14-30.
- (4) IC 36-7-14-32.
- (5) IC 36-7-14-39.
- (6) IC 36-7-14-41.
- (7) IC 36-7-14-43.
- (8) IC 36-7-14.5-12.5.
- (9) IC 36-7-15.1-20.
- (10) IC 36-7-15.1-22.
- (11) IC 36-7-15.1-26.
- (12) IC 36-7-15.1-29.
- (13) IC 36-7-15.1-30.
- (14) IC 36-7-30-25.
- (15) Other similar statutes.

Sec. 2. As used in this chapter, "obligation" means an obligation entered into by the governing body of an allocation area to repay:

- (1) the principal and interest on bonds; or
- (2) any other contractual obligation;

from revenues received from the levy of an ad valorem property tax by a taxing unit. The term includes a guarantee of repayment from ad valorem property tax levies if other revenues are insufficient to make a payment.

Sec. 3. After April 1, 2004, the governing body of an allocation area may not pledge a school general fund property tax levy that is first due and payable after December 31, 2005, to the payment of an obligation.

Sec. 4. (a) This section applies to an allocation area in which:

- (1) the holder of a bond or other contractual obligation received a pledge before April 2, 2004, of ad valorem property tax levies to repay any part of the bond or other contractual obligation after December 31, 2005; and
- (2) the elimination of a general fund property tax levy for a school corporation adversely affects the ability of the allocation area to repay the bond or other contractual obligation described in subdivision (1).

(b) The governing body of an allocation area may, after a hearing, impose a special assessment on the owners of property that is located in an allocation area to repay an obligation that comes due after December 31, 2005. The total amount of the special assessment in a year may not exceed the amount by which the total due in the year on the obligations of the allocation area entered into before April 2, 2004, exceed the amount of other revenues



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1 available to the allocation area.

2 (c) A special assessment shall be imposed and collected in the
3 same manner as ad valorem property taxes are imposed and
4 collected.

5 SECTION 31. IC 6-2.5-1-1.5 IS ADDED TO THE INDIANA
6 CODE AS A NEW SECTION TO READ AS FOLLOWS
7 [EFFECTIVE JANUARY 1, 2005]: Sec. 1.5. "Unitary transaction"
8 includes all items of personal property and services that are
9 furnished under a single order or agreement and for which a total
10 combined charge or price is calculated.

11 SECTION 32. IC 6-2.5-2-1 IS AMENDED TO READ AS
12 FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 1. (a) An excise
13 tax, known as the state gross retail tax, is imposed on retail transactions
14 made in Indiana.

15 (b) The person who acquires property in a retail transaction is liable
16 for the tax on the transaction and, except as otherwise provided in this
17 chapter, shall pay the tax to the retail merchant as a separate added
18 amount to the consideration in the transaction. The retail merchant
19 shall collect the tax as agent for the state.

20 (c) Beginning January 1, 2005, a person who receives a service
21 in a retail transaction is liable for the tax on the transaction and,
22 except as otherwise provided in this chapter, shall pay the tax to
23 the retail merchant as a separate added amount to the
24 consideration in the transaction. The retail merchant shall collect
25 the tax as agent for the state.

26 SECTION 33. IC 6-2.5-4-1.5 IS ADDED TO THE INDIANA
27 CODE AS A NEW SECTION TO READ AS FOLLOWS
28 [EFFECTIVE JANUARY 1, 2005]: Sec. 1.5. (a) A person is a retail
29 merchant making a retail transaction when the person engages in
30 selling at retail.

31 (b) A person is engaged in selling at retail when, in the ordinary
32 course of the person's regularly conducted trade or business, the
33 person:

- 34 (1) acquires tangible personal property for the purpose of
- 35 resale; and
- 36 (2) transfers that property to another person for
- 37 consideration.

38 (c) For purposes of determining what constitutes selling
39 property at retail, it does not matter whether:

- 40 (1) the property is transferred in the same form as when it
- 41 was acquired;
- 42 (2) the property is transferred alone or in conjunction with

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1 other property or services; or

2 (3) the property is transferred conditionally or otherwise.

3 (d) Notwithstanding subsection (b), a person is not selling at
4 retail if the person is making a wholesale sale as described in
5 section 2 of this chapter.

6 (e) The gross retail income received from selling property at
7 retail is only taxable under this article to the extent that the income
8 represents:

9 (1) the price of the property transferred, without the rendition
10 of any service; and

11 (2) any bona fide charges that are made for preparation,
12 fabrication, alteration, modification, finishing, completion,
13 delivery, or other service performed in respect to the property
14 transferred before its transfer and that are separately stated
15 on the transferor's records.

16 (f) In the case of retail sales of:

17 (1) gasoline (as defined in IC 6-6-1.1-103) and special fuel (as
18 defined in IC 6-6-2.5-22), the gross retail income received
19 from selling at retail is the total sales price of the gasoline or
20 special fuel minus the part of that price attributable to tax
21 imposed under IC 6-6-1.1, IC 6-6-2.5, or Section 4041(a) or
22 4081 of the Internal Revenue Code; and

23 (2) cigarettes (as defined in IC 6-7-1-2), the gross retail
24 income received from selling at retail is the total sales price of
25 the cigarettes, including the tax imposed under IC 6-7-1.

26 SECTION 34. IC 6-2.5-4-2.5 IS ADDED TO THE INDIANA
27 CODE AS A NEW SECTION TO READ AS FOLLOWS
28 [EFFECTIVE JANUARY 1, 2005]: Sec. 2.5. (a) A person is a retail
29 merchant making a retail transaction when the person is making
30 wholesale sales.

31 (b) For purposes of this section, a person is making wholesale
32 sales when the person:

33 (1) sells tangible personal property, other than capital assets
34 or depreciable property, to a person who purchases the
35 property for the purpose of reselling it without changing its
36 form;

37 (2) sells tangible personal property to a person who purchases
38 the property for direct consumption as a material in the direct
39 production of other tangible personal property produced by
40 the person in the person's business of manufacturing,
41 processing, refining, repairing, mining, agriculture, or
42 horticulture;

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(3) sells tangible personal property to a person who purchases the property for incorporation as a material or integral part of tangible personal property produced by the person in the person's business of manufacturing, assembling, constructing, refining, or processing;

(4) sells drugs, medical or dental preparations, or other similar materials to a person who purchases the materials for direct consumption in professional use by a physician, a hospital, an embalmer, a funeral director, or a tonsorial parlor;

(5) sells tangible personal property to a person who purchases the property for direct consumption in the person's business of industrial cleaning; or

(6) sells tangible personal property to a person who purchases the property for direct consumption in the person's business in the direct rendering of public utility service.

SECTION 35. IC 6-2.5-4-3.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2005]: **Sec. 3.5. (a) A person is a retail merchant making a retail transaction when the person regularly and occupationally engages in the business of softening and conditioning water.**

(b) For purposes of this section, the business of softening and conditioning water includes the exchange of water softening and conditioning tanks in the ordinary course of the business.

SECTION 36. IC 6-2.5-4-5.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2005]: **Sec. 5.5. (a) As used in this section, "power subsidiary" means a corporation that is owned or controlled by one (1) or more public utilities that furnish or sell electrical energy, natural or artificial gas, water, steam, or steam heat and that produces power exclusively for the use of those public utilities.**

(b) A power subsidiary or a person engaged as a public utility is a retail merchant making a retail transaction when the subsidiary or person furnishes or sells electrical energy, natural or artificial gas, water, steam, or steam heating service to a person for commercial or domestic consumption.

SECTION 37. IC 6-2.5-4-6.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2005]: **Sec. 6.5. (a) As used in this section, "telecommunications services" means the transmission of**

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1 messages or information by or using wire, cable, fiber optics, laser,
 2 microwave, radio, satellite, or similar facilities. The term does not
 3 include value added services in which computer processing
 4 applications are used to act on the form, content, code, or protocol
 5 of the information for purposes other than transmission.

6 (b) A person is a retail merchant making a retail transaction
 7 when the person:

8 (1) furnishes or sells an intrastate telecommunications service;
 9 and

10 (2) receives gross retail income from billings or statements
 11 rendered to customers.

12 SECTION 38. IC 6-2.5-4-10.5 IS ADDED TO THE INDIANA
 13 CODE AS A NEW SECTION TO READ AS FOLLOWS
 14 [EFFECTIVE JANUARY 1, 2005]: **Sec. 10.5. (a) A person, other**
 15 **than a public utility, is a retail merchant making a retail**
 16 **transaction when the person rents or leases tangible personal**
 17 **property to another person.**

18 (b) A person is a retail merchant making a retail transaction
 19 when the person sells any tangible personal property that has been
 20 rented or leased in the regular course of the person's rental or
 21 leasing business.

22 SECTION 39. IC 6-2.5-4-11.5 IS ADDED TO THE INDIANA
 23 CODE AS A NEW SECTION TO READ AS FOLLOWS
 24 [EFFECTIVE JANUARY 1, 2005]: **Sec. 11.5. A person is a retail**
 25 **merchant making a retail transaction when the person furnishes**
 26 **local cable television service or intrastate cable television service.**

27 SECTION 40. IC 6-2.5-4-12.5 IS ADDED TO THE INDIANA
 28 CODE AS A NEW SECTION TO READ AS FOLLOWS
 29 [EFFECTIVE JANUARY 1, 2005]: **Sec. 12.5. (a) A person is a retail**
 30 **merchant making a retail transaction when the person sells**
 31 **tangible personal property at auction.**

32 (b) Notwithstanding subsection (a) or section 13 of this chapter,
 33 a person is not a retail merchant making a retail transaction when:

34 (1) the person makes isolated or occasional sales of tangible
 35 personal property at auction;

36 (2) the sales occur on the premises of the owner of the tangible
 37 personal property; and

38 (3) the owner of the tangible personal property did not
 39 originally acquire that property for resale.

40 SECTION 41. IC 6-2.5-4-14 IS ADDED TO THE INDIANA CODE
 41 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
 42 JANUARY 1, 2005]: **Sec. 14. (a) This section applies to a service not**

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otherwise covered by this chapter that is performed by a business or segment of a business. However, this section does not apply to professional health care service or a professional legal service.

(b) A person is a retail merchant making a retail transaction when, in the ordinary course of the person's trade or business, the person:

(1) either:

(A) purchases; or

(B) performs;

a service described in subsection (a) for purposes of selling the service to another person; and

(2) provides the service to another person for a consideration.

(c) For purposes of determining what constitutes selling at retail under this section, it does not matter whether the service is provided:

(1) in the same form as it was acquired;

(2) alone or in combination with other property or services; or

(3) conditionally, or otherwise.

SECTION 42. IC 6-2.5-10-1, AS AMENDED BY P.L.253-1999, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 1. (a) The department shall account for all state gross retail and use taxes that it collects.

(b) **Before July 1, 2005**, the department shall deposit those collections in the following manner:

(1) Forty percent (40%) of the collections shall be paid into the property tax replacement fund established under IC 6-1.1-21.

(2) Fifty-nine and three-hundredths percent (59.03%) of the collections shall be paid into the state general fund.

(3) Seventy-six hundredths of one percent (0.76%) of the collections shall be paid into the public mass transportation fund established by IC 8-23-3-8.

(4) Four hundredths of one percent (0.04%) of the collections shall be deposited into the industrial rail service fund established under IC 8-3-1.7-2.

(5) Seventeen hundredths of one percent (0.17%) of the collections shall be deposited into the commuter rail service fund established under IC 8-3-1.5-20.5.

(c) **After June 30, 2005**, the department shall deposit those collections in the following manner:

(1) **Twenty percent (20%) of the collections shall be paid into the property tax replacement fund established under**



1 **IC 6-1.1-21.**

2 **(2) Seventy-nine and three-hundredths percent (79.03%) of**
 3 **the collections shall be paid into the state general fund.**

4 **(3) Seventy-six hundredths of one percent (0.76%) of the**
 5 **collections shall be paid into the public mass transportation**
 6 **fund established by IC 8-23-3-8.**

7 **(4) Four hundredths of one percent (0.04%) of the collections**
 8 **shall be deposited into the industrial rail service fund**
 9 **established under IC 8-3-1.7-2.**

10 **(5) Seventeen hundredths of one percent (0.17%) of the**
 11 **collections shall be deposited into the commuter rail service**
 12 **fund established under IC 8-3-1.5-20.5.**

13 SECTION 43. IC 6-3-8-4.1 IS AMENDED TO READ AS
 14 FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 4.1. **(a) For**
 15 **taxable years beginning before January 1, 2005,** the rate of the
 16 supplemental net income tax is four and five-tenths percent (4.5%).

17 **(b) For taxable years beginning after December 31, 2004, the**
 18 **rate of the supplemental net income tax is six percent (6%).**

19 SECTION 44. IC 6-3.1-2-1 IS AMENDED TO READ AS
 20 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. As used in this
 21 chapter, the following terms have the following meanings:

22 (1) "Eligible teacher" means a teacher:

23 (A) certified in a shortage area by the professional standards
 24 board established by IC 20-1-1.4; and

25 (B) employed under contract during the regular school term by
 26 a school corporation in a shortage area.

27 (2) "Qualified position" means a position that:

28 (A) is relevant to the teacher's academic training in a shortage
 29 area; and

30 (B) has been approved by the Indiana state board of education
 31 under section 6 of this chapter.

32 (3) "Regular school term" means the period, other than the school
 33 summer recess, during which a teacher is required to perform
 34 duties assigned to him under a teaching contract.

35 (4) "School corporation" ~~means any corporation authorized by law~~
 36 ~~to establish public schools and levy taxes for their maintenance.~~
 37 **has the meaning set forth in IC 36-1-2-17.**

38 (5) "Shortage area" means the subject areas of mathematics and
 39 science and any other subject area designated as a shortage area
 40 by the Indiana state board of education.

41 (6) "State income tax liability" means a taxpayer's total income
 42 tax liability incurred under IC 6-2.1 and IC 6-3, as computed after

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1 application of credits that under IC 6-3.1-1-2 are to be applied
2 before the credit provided by this chapter.

3 SECTION 45. IC 6-3.5-1.1-1 IS AMENDED TO READ AS
4 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. As used in this
5 chapter:

6 "Adjusted gross income" has the same definition that the term is
7 given in IC 6-3-1-3.5(a), except that in the case of a county taxpayer
8 who is not a resident of a county that has imposed the county adjusted
9 gross income tax, the term includes only adjusted gross income derived
10 from ~~his~~ **the taxpayer's** principal place of business or employment.

11 "Civil taxing unit" means any entity having the power to impose ad
12 valorem property taxes except a school corporation. The term does not
13 include a solid waste management district that is not entitled to a
14 distribution under section 1.3 of this chapter. However, in the case of
15 a consolidated city, the term "civil taxing unit" includes the
16 consolidated city and all special taxing districts, all special service
17 districts, and all entities whose budgets and property tax levies are
18 subject to review under IC 36-3-6-9.

19 "County council" includes the city-county council of a consolidated
20 city.

21 "County taxpayer" as it relates to a county for a year means any
22 individual:

23 (1) who resides in that county on the date specified in section 16
24 of this chapter; or

25 (2) who maintains ~~his~~ **the individual's** principal place of business
26 or employment in that county on the date specified in section 16
27 of this chapter and who does not on that same date reside in
28 another county in which the county adjusted gross income tax, the
29 county option income tax, or the county economic development
30 income tax is in effect.

31 "Department" refers to the Indiana department of state revenue.

32 "Nonresident county taxpayer" as it relates to a county for a year
33 means any county taxpayer for that county for that year who is not a
34 resident county taxpayer of that county for that year.

35 "Resident county taxpayer" as it relates to a county for a year means
36 any county taxpayer who resides in that county on the date specified in
37 section 16 of this chapter.

38 "School corporation" ~~means any public school corporation~~
39 ~~established under Indiana law. has the meaning set forth in~~
40 **IC 36-1-2-17.**

41 SECTION 46. IC 6-3.5-1.1-14 IS AMENDED TO READ AS
42 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 14. (a) In determining

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the amount of property tax replacement credits civil taxing units and school corporations of a county are entitled to receive during a calendar year, the state board of tax commissioners shall consider only property taxes imposed on tangible property that was assessed in that county.

(b) If a civil taxing unit or a school corporation is located in more than one (1) county and receives property tax replacement credits from one (1) or more of the counties, then the property tax replacement credits received from each county shall be used only to reduce the property tax rates that are imposed within the county that distributed the property tax replacement credits.

(c) A civil taxing unit shall treat any property tax replacement credits that it receives or is to receive during a particular calendar year as a part of its property tax levy for that same calendar year for purposes of fixing its budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5.

(d) **Before January 1, 2006**, a school corporation shall treat any property tax replacement credits that the school corporation receives or is to receive during a particular calendar year as a part of its property tax levy for its general fund, debt service fund, capital projects fund, transportation fund, and special education preschool fund in proportion to the levy for each of these funds for that same calendar year for purposes of fixing its budget and for purposes of the property tax levy limits imposed by IC 6-1.1-19. **Before January 1, 2006**, a school corporation shall allocate the property tax replacement credits described in this subsection to all five (5) funds in proportion to the levy for each fund.

(e) After December 31, 2005, a school corporation shall treat any property tax replacement credits that the school corporation receives or is to receive during a particular calendar year as a part of its property tax levy for its debt service fund, capital projects fund, transportation fund, and special education preschool fund in proportion to the levy for each of these funds for that same calendar year for purposes of fixing its budget. After December 31, 2005, a school corporation shall allocate the property tax replacement credits described in this subsection to all four (4) funds in proportion to the levy for each fund.

SECTION 47. IC 20-1-1.3-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 8. (a) A public school that receives a monetary award under this chapter may expend that award for any educational purpose for that school, except:

- (1) athletics;
- (2) salaries for school personnel; or

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(3) salary bonuses for school personnel.

(b) A monetary award may not be used **before January 1, 2006**, to determine:

(1) the maximum permissible general fund ad valorem property tax levy under IC 6-1.1-19-1.5 (**repealed January 1, 2006**); or

(2) the tuition support under ~~IC 21-3-1-6~~; **IC 21-3-1.7**;

of the school corporation of which the school receiving the monetary award is a part.

SECTION 48. IC 20-1-6-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. As used in this chapter, the following terms have the following meanings:

(1) "Child with a disability" means any child who is at least three (3) years of age but less than twenty-two (22) years of age and who because of physical or mental disability is incapable of being educated properly and efficiently through normal classroom instruction, but who with the advantage of a special educational program may be expected to benefit from instruction in surroundings designed to further the educational, social, or economic status of the child. Public schools may operate special education programs for hearing impaired children as young as six (6) months of age on an experimental basis upon the approval of the superintendent of public instruction and the Indiana state board of education.

(2) "Division" means the division of special education within the department of education.

(3) "Director" means the director of the division of special education.

(4) "School corporation" ~~means any corporation authorized by law to establish public schools and levy taxes for the maintenance of the schools.~~ **has the meaning set forth in IC 36-1-2-17.**

(5) "Individualized education program" means a written statement developed by a group that includes:

(A) a representative of the school corporation or public agency responsible for educating the child;

(B) the child's teacher;

(C) the child's parent, guardian, or custodian;

(D) if appropriate, the child; and

(E) if the provision of services for a seriously emotionally disabled child is considered, a mental health professional provided by the community mental health center (as described under IC 12-29) or a managed care provider (as defined in IC 12-7-2-127(b)) and serving the community in which the

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1 child resides;
2 and that describes the special education to be provided to the
3 child.

4 (6) "Preschool child with a disability" refers to a disabled child
5 who is at least three (3) years of age by September 1 of the
6 1989-90 school year, August 1 of the 1990-91 school year, July
7 1 of the 1991-92 school year, or June 1 of the 1992-93 school year
8 and every subsequent school year.

9 (7) "Special education" means instruction specially designed to
10 meet the unique needs of a child with a disability. It includes
11 transportation, developmental, corrective, and other support
12 services and training only when required to assist a child with a
13 disability to benefit from the instruction itself.

14 (8) "School year" has the meaning set forth in IC 20-10.1-2-1.

15 SECTION 49. IC 20-2-2-3 IS AMENDED TO READ AS
16 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 3. (a) The township
17 trustees of each and every township of each county shall perform all the
18 civil functions performed before March 13, 1947, by such township
19 trustees and together with other township trustees of the county shall
20 constitute a county board of education for the purpose of managing the
21 affairs of the county school corporation hereby created in each such
22 county. School cities and school towns shall retain independent
23 organization and administration unless abandoned as provided by law,
24 and the county school corporation, also referred to in this chapter as the
25 county, shall include all areas not organized on March 13, 1947, under
26 the laws of this state into jurisdictions controlled and governed as
27 school cities or school towns. Said county board of education may be
28 referred to interchangeably as the county board of school trustees and
29 as the board. Said board shall meet at such time as the board shall
30 designate at the office of the county superintendent of schools and at
31 such other times and places as the county superintendent of schools
32 may deem necessary. At the first meeting of each year, to be held on
33 the first Wednesday after the first Monday in January, the board shall
34 organize by selecting a president, a vice president, a secretary, and a
35 treasurer from its membership. Provided, however, that no later than
36 April 12, 1947, it shall be the duty of the county superintendent of
37 schools to call said board into special session and unless the county
38 board of education shall elect to have the provisions of this section
39 remain inoperative, under provisions that may be included within this
40 section, said board shall so organize itself, except that the failure of the
41 county superintendent of schools to call the county board of education
42 into session within the prescribed limits of this section shall not be

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1 construed to mean that a county school corporation as described in this
 2 section shall be brought into existence in such county, and no such
 3 county school corporation shall be brought into existence until the
 4 board has met in special session subsequent to March 13, 1947, and has
 5 taken action to organize itself into a county school corporation, after
 6 consideration of the question whether it should elect to have the
 7 provisions of this section remain inoperative under provisions that may
 8 be included within this section. Such organization when and if effected
 9 shall be filed with the county auditor and shall be published by said
 10 auditor in two (2) newspapers of different political persuasions of
 11 general circulation throughout the county within ten (10) days after
 12 such filing, and such organization shall be deemed to fulfill all the
 13 requirements of this section for the transacting of public business under
 14 this section. The secretary of the board shall keep an accurate record of
 15 the minutes of the board, which minutes shall be kept at the county
 16 superintendent's office. The county superintendent shall act as
 17 administrator of the board and shall carry out such acts and duties as
 18 shall be designated by the board. A quorum shall consist of two-thirds
 19 (2/3) of the members of the board.

20 (b) The board shall make decisions as to the general conduct of the
 21 schools, which shall be enforced as entered upon the minutes recorded
 22 by the secretary of the board, and shall exercise all powers exercised
 23 before March 13, 1947, under the law, by or through township trustees
 24 or meetings or petitions of the trustees of the county.

25 (c) The board shall appoint a county superintendent of schools who
 26 shall serve for a term of four (4) years. The first such appointment
 27 under this section shall be made in accordance with law in June 1949,
 28 to become effective August 16, 1949, and thereafter the board shall fill
 29 vacancies in this office by appointments which shall expire at the end
 30 of the regular term. The county superintendent of schools and other
 31 persons employed for administrative or supervisory duties shall be
 32 deemed to be supervisors of instruction.

33 (d) The government of the common schools of the county shall be
 34 vested in the board, and the board shall function with all the authority,
 35 powers, privileges, duties, and obligations granted to or required of
 36 school cities before March 13, 1947, and school towns and their
 37 governing boards generally under the laws pertaining thereto with
 38 reference to the purchase of supplies, purchase and sale of buildings,
 39 grounds, and equipment, the erection of buildings, the employment and
 40 dismissal of school personnel, the right and power to sue and be sued
 41 in the name of the county, the insuring of property and employees, the
 42 levying and collecting of taxes, the making and executing of a budget,



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the borrowing of money, the paying of the salaries and expenses of the county superintendent and employees as approved by the board and to any act necessary to the proper administration of the common schools of the county.

(e) Such school corporations shall be vested with all right, title, and interest of their respective predecessor township school corporations hereby terminated to and in all the real, personal, and other property of any nature and from whatever source derived, and shall assume, pay, and be liable for all the indebtedness and liabilities of the same.

(f) The treasurer, before entering upon the duties of his office, shall execute a bond to the acceptance of the county auditor in an amount equal to the largest sum of money that will be in the possession of the treasurer at any one (1) time conditioned as an ordinary official bond, with a reliable surety company or at least two (2) sufficient freehold sureties, who shall not be members of such board, as surety or sureties on such bond. The president and secretary shall each give bond, with like surety or sureties, to be approved by the county auditor, in the sum of one-fourth (1/4) of said amount. Provided, that such boards of school trustees may purchase said bonds from some reliable surety company, and pay for them out of the special school revenue of their respective counties.

(g) The powers set forth in this section shall not be considered as or construed to limit the power and authority of such boards to the powers therein expressly conferred or to restrict or modify any powers or authority granted by any other law not in conflict with the provisions of this section.

(h) **Except as provided in IC 6-1.1-19-1.9**, every such board shall have, as respects the levy of taxes by it, power annually to levy such amount of taxes as in the judgment of such board, made matter of record in its minutes, should be levied to produce income sufficient to conduct and carry on the common schools committed to such board, and it is hereby made the duty of such board annually to levy a sum sufficient to meet all payments of principal and interest as they will mature in the year for which such levy is made on the bonds, notes, or other obligations of such board.

(i) The power of such board ~~in so making~~ **to make** tax levies shall be exercised within statutory limits and said levies shall be subject to the same review as school city and school town levies.

SECTION 50. IC 20-2-9-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. Said school trustees shall maintain in each school corporation a term of school at least six (6) months in duration **before January 1, 2006**, and shall authorize a

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1 local tuition levy sufficient to conduct a six (6) months term of school
 2 each year based on estimates and receipts from all sources for the
 3 previous year, which may include that received from the state's tuition
 4 revenue. ~~Provided, Such~~ **However, the** levy shall not exceed the limit
 5 now provided by law.

6 SECTION 51. IC 20-3-11-20 IS AMENDED TO READ AS
 7 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 20. **(a)** Each such board
 8 of school commissioners may from time to time, whenever its general
 9 fund shall be exhausted or, in the board's judgment, be in danger of
 10 exhaustion, make temporary loans for the use of its general fund to be
 11 paid: ~~out of~~

12 **(1) before January 1, 2006, from the proceeds of taxes**
 13 **theretofore levied by such the school city for its general fund; or**

14 **(2) after December 31, 2005, from money to be deposited in**
 15 **the general fund.**

16 The amount so borrowed in aid of said general fund shall be paid into
 17 said general fund and may be used for any purpose for which the said
 18 general fund lawfully may be used. Any such temporary loan ~~shall~~
 19 **must** be evidenced by the promissory note or notes of said school city,
 20 ~~shall must~~ bear interest at not more than seven per cent (7%) per
 21 annum, interest payable at the maturity of the note or periodically, as
 22 the note may express, and ~~shall must~~ mature at such time or times as
 23 the board of school commissioners may decide, but not later than one
 24 (1) year from the date of the note. **Before January 1, 2006, no such**
 25 **loan or loans made in any one (1) calendar year shall may be for a sum**
 26 **greater than the amount estimated by said the board as the proceeds to**
 27 **be received by it from the levy of taxes theretofore made by said the**
 28 **school city in behalf of for its said general fund. After December 31,**
 29 **2005, no loan or loans made in any one (1) calendar year may be**
 30 **for a sum greater than the amount estimated by the board as the**
 31 **amount to be deposited in the general fund before the due date of**
 32 **the note. Before January 1, 2006, successive loans may be made in**
 33 **aid of said the general fund in any calendar year, but the aggregate**
 34 **amount thereof, of all loans made under this section and outstanding**
 35 **at any one (1) time shall may not exceed such the estimated proceeds**
 36 **of taxes levied in behalf of for the said general fund. After December**
 37 **31, 2005, successive loans may be made in aid of the general fund**
 38 **in any calendar year, but the aggregate amount of all loans made**
 39 **under this section and outstanding at any one (1) time may not**
 40 **exceed the estimated amounts to be deposited in the general fund**
 41 **during the terms of the notes.**

42 **(b)** No such loan ~~shall may~~ be made until notice asking for bids



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therefor ~~shall have~~ **has** been given by newspaper publication, which publication shall be made one (1) time in a newspaper published in said city and said publication shall be at least seven (7) days before the time when bids for such loans will be opened. Bidders shall name the amount of interest they agree to accept not exceeding seven per cent (7%) per annum, and the loan shall be made to the bidder or bidders bidding the lowest rate of interest. The note or notes or warrants shall not be delivered until the full price of the face thereof shall be paid to the treasurer of said school city, and no interest shall accrue thereon before such delivery.

(c) Any such school corporation wishing to make a temporary loan in aid of its general fund, finding that it has need to exercise the power in this section above given to make a temporary loan, which has in its treasury money derived from the sale of bonds, which money derived from the sale of bonds can not or will not, in the due course of the business of said school city, be expended in the then near future, may, if it so elects, temporarily borrow ~~and~~ without payment of interest from such bond fund, for the use and aid of said general fund in the manner and to the extent hereinafter expressed. ~~viz.:~~ Such school city shall, by its board of school commissioners, take all the steps required by law to effect such temporary loan up to the point of advertising for bids or offers for such loans; it shall then present to the state board of tax commissioners ~~of the state of Indiana~~, and to the state board of accounts ~~of the state of Indiana~~, a copy of the corporate action of said school city concerning its desire to make such temporary loan and a petition showing the particular need for such temporary loan, and the amount and the date or dates when said general fund will need such temporary loan or ~~instalments~~ **installments** of such loan, and the date at which such loan, and each ~~instalment~~ **installment** thereof, will be needed, and the estimated amounts from taxes **first due and payable before January 1, 2006**, to come into said general fund, and the dates when it is expected ~~such the~~ proceeds of taxes **first due and payable before January 1, 2006**, will be received by such school city in behalf of said general fund, and showing what amount of money said school city has in any fund derived from the proceeds of the sale of bonds, which can not or will not be expended in the then near future, and showing when and to what extent and why money in such bond fund, not soon to be expended, will not be expended in the then near future and requesting that ~~said the~~ state board of tax commissioners and ~~said the~~ state board of accounts, respectively, authorize a temporary loan from said bond fund in aid of said general fund.

(d) **After December 31, 2005, the school city shall present to the**



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1 state board of tax commissioners and to the state board of accounts
2 the information required by subsection (c), except for:

3 (1) the estimated amounts from taxes to come into the general
4 fund; and

5 (2) the dates when it is expected the proceeds of taxes will be
6 received by the school city for the general fund.

7 The school city shall instead provide the estimated amounts to
8 come into the general fund and dates when it expects the amounts
9 to be received.

10 (e) If said state board of tax commissioners shall find and order that
11 there is need for such temporary loan, and that it should be made, and
12 said state board of accounts shall find that the money proposed to be
13 borrowed will not be needed during the period of the temporary loan by
14 the fund from which it is to be borrowed, and said two (2) state boards
15 shall approve the loan, the business manager and treasurer of said
16 school city shall, upon such approval by said two (2) state boards, take
17 all steps necessary to transfer the amount of such loans, as a temporary
18 loan from the fund to be borrowed from, to said general fund of such
19 school city. The loan so effected shall, for all purposes, be a debt of the
20 school city chargeable against its constitutional debt limit.

21 (f) Such two (2) state boards may fix the aggregate amount so to be
22 borrowed on any one (1) petition and shall determine at what time or
23 times and in what ~~instalments~~ **installments** and for what periods it
24 shall be borrowed. **Before January 1, 2006**, the treasurer and business
25 manager of ~~such the~~ school city, from time to time, as money ~~shall be~~
26 **is** collected from taxes levied ~~in behalf of said for the~~ general fund,
27 shall credit the same on ~~such the~~ loan until the amount borrowed is
28 fully repaid to the lending fund, and they shall at the end of each
29 calendar month report to the board the several amounts so applied from
30 taxes to the payment of ~~such the~~ loan. **After December 31, 2005, the**
31 **treasurer and business manager of the school city shall, from time**
32 **to time, as money is collected for the general fund, credit the**
33 **money collected to the loan until the amount borrowed is fully**
34 **repaid to the lending fund, and the treasurer and business manager**
35 **shall, at the end of each calendar month, report to the board the**
36 **amounts applied to the payment of the loan.**

37 (g) The school city shall, as often as once a month, report to both of
38 said state boards the amount of money then so borrowed and unpaid,
39 the anticipated like borrowings of the current month, the amount left in
40 the said general fund, and the anticipated drafts upon the lending bond
41 fund for the objects for which that fund was created.

42 (h) Said two (2) state boards, or either of them, may, if it shall seem

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to said boards, or to either of them, that the fund from which the loan was made requires the repayment of all or of part of such loan(s) before its maturity or said general fund no longer requires all or some part of the proceeds of such loan, require such school city to repay all or any part of such loan, and, if necessary to perform the requirement, such school city shall exercise its power of making a temporary loan procured from others to raise the money so needed to repay the lending bond fund the amount so ordered repaid.

SECTION 52. IC 20-3.1-15-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. To provide the board with the necessary flexibility and resources to carry out this article, the following apply:

(1) The board may eliminate or modify existing policies and create new policies, and alter policies from time to time, subject to this article and the plan developed under IC 20-3.1-7.

(2) IC 20-7.5 does not apply to matters set forth in this article. The matters set forth in this article may not be the subject of collective bargaining or discussion under IC 20-7.5.

(3) An exclusive representative certified under IC 20-7.5 to represent certified employees of the school city, or any other entity voluntarily recognized by the board as a representative of employees providing educational services in the schools, may bargain collectively only concerning salary, wages, and salary and wage related fringe benefits. The exclusive representative may not bargain collectively or discuss performance awards under IC 20-3.1-12.

(4) The board of school commissioners may waive the following statutes and rules for any school in the school city without the need for administrative, regulatory, or legislative approval:

(A) The following rules concerning curriculum and instructional time:

511 IAC 6.1-3-4

511 IAC 6.1-5-0.5

511 IAC 6.1-5-1

511 IAC 6.1-5-2.5

511 IAC 6.1-5-3.5

511 IAC 6.1-5-4

(B) The following rules concerning pupil/teacher ratios:

511 IAC 6-2-1(b)(2)

511 IAC 6.1-4-1

(C) The following statutes and rules concerning textbooks, and rules adopted under the statutes:

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- 1 IC 20-10.1-9-1
 2 IC 20-10.1-9-18
 3 IC 20-10.1-9-21
 4 IC 20-10.1-9-23
 5 IC 20-10.1-9-27
 6 IC 20-10.1-10-1
 7 IC 20-10.1-10-2
 8 511 IAC 6.1-5-5
 9 (D) The following rules concerning school principals:
 10 511 IAC 6-2-1(c)(4)
 11 511 IAC 6.1-4-2
 12 (E) 511 IAC 2-2, concerning school construction and
 13 remodeling.
 14 (5) Notwithstanding any other law, a school city may do the
 15 following:
 16 (A) Lease school transportation equipment to others for
 17 nonschool use when the equipment is not in use for a school
 18 city purpose.
 19 (B) Establish a professional development and technology fund
 20 to be used for:
 21 (i) professional development; or
 22 (ii) technology, including video distance learning.
 23 (C) Transfer funds obtained from sources other than state or
 24 local government taxation among any account of the school
 25 corporation, including a professional development and
 26 technology fund established under clause (B).
 27 (6) Transfer funds obtained from property taxation ~~among~~
 28 **between** the general fund (established under IC 21-2-11) and the
 29 school transportation fund (established under IC 21-2-11.5),
 30 subject to the following:
 31 (A) **For property taxes first due and payable:**
 32 **(i) before January 1, 2006,** the sum of the property tax rates
 33 for the general fund and the school transportation fund after
 34 a transfer occurs under this subdivision may not exceed the
 35 sum of the property tax rates for the general fund and the
 36 school transportation fund before a transfer occurs under
 37 ~~this clause.~~ **subdivision; and**
 38 **(ii) after December 31, 2005, the property tax rate for**
 39 **the school transportation fund after a transfer occurs**
 40 **under this subdivision may not exceed the property tax**
 41 **rate for the school transportation fund before a transfer**
 42 **occurs under this subdivision.**

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(B) This ~~clause~~ **subdivision** does not allow a school corporation to transfer to any other fund money from the debt service fund (established under IC 21-2-4).

SECTION 53. IC 20-4-1-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 18. (a) Whenever the creation of a community school corporation out of an existing corporation would involve no change in its territorial boundaries or in its board of school trustees or other governing body, other than a change, if any, in the time of election or appointment or the time the board members take office, and such creation is consistent with the standards set up pursuant to the provisions of this chapter as modified, if any, by the standards set out in this section, the state board may upon its own motion or upon petition of the governing body of the existing school corporation at any time with hearing in the county where such school corporation is located, after notice by publication at least once in one (1) newspaper of general circulation published in the county where such school corporation is located, at least ten (10) but not more than thirty (30) days prior to the date of such hearing and without action of the county committee declare such existing school corporation to be a community school corporation by adopting a resolution to this effect. Such existing school corporation shall qualify as to size and financial resources if it has an average daily attendance of two hundred seventy (270) or more, in grades nine (9) through twelve (12), or of one thousand (1000) or more, in grades one (1) through twelve (12), and has an assessed valuation per pupil of five thousand dollars (\$5,000) or more. For the purposes of this provision the following terms shall have the following meanings:

(1) "County tax" shall be a property tax which is levied at an equal rate in the entire county in which any school corporation is located, other than a tax qualifying as a county-wide tax within the meaning of Acts 1959, c.328, s.2, or any similar statute, and the net proceeds of which are distributed to school corporations in the county.

(2) "Assessed valuation" of any school corporation shall mean the net assessed value of its real and personal property as of March 1, 1964, adjusted in the same manner as such assessed valuation is adjusted for each county by the state board of tax commissioners under Acts 1949, c.247, s.5, as now or hereafter amended, unless such statute has been repealed or no longer provides for such adjustment. In the event a county has a county tax, then the assessed valuation of each school corporation in the county shall be increased by the amount of assessed valuation, if any, which

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would be required to raise an amount of money, equal to the excess of the amount distributed to any school corporation from the county tax over the amount collected from such county tax in such school corporation, using total taxes levied by such school corporation in terms of rate excluding the countywide tax under Acts 1959, c.328, s.2, or any similar statute, and including all other taxes levied by or for such school corporation, including but not limited to the county tax, bond fund levy, lease rental levy, library fund levy, special school fund levy, tuition ~~fund~~ levy **(before January 1, 2006)**, capital projects fund levy, and special funds levies. Such increased valuation shall be based on the excess distributed to the school corporation from the county tax levied for the year 1964 and the total taxes levied for such year, or if the county tax is first applied or is raised for years after 1964, then the excess distributions and total taxes levied for the year in which such tax is first applied or raised. In the event such excess distribution and total taxes levied cannot be determined accurately on or prior to the adoption of the resolution provided in this section, excess distribution and taxes levied shall be estimated by the state board of tax commissioners using the last preceding assessed valuations and tax rates or such other information as they shall see fit, certifying such increased assessment to the state board prior to such time. In all cases, the excess distribution shall be determined upon the assumption that the county tax is one hundred percent (100%) collected and all collections are distributed.

(3) "Assessed valuation per pupil" of any school corporation means the assessed valuation of any such school corporation divided by its average daily attendance in grades one (1) through twelve (12).

(4) "Average daily attendance" in any school corporation shall mean the average daily attendance of pupils who are residents in such school corporation and in the particular grades to which such term refers for the school year 1964-1965 in accordance with the applicable regulations of the state superintendent of public instruction, used in determining such average daily attendance in the distribution of the tuition funds by the state to its various school corporations where such funds are distributed on such basis and irrespective of whether such figures are the actual resident daily attendance of such school for the school year.

(b) Such community school corporation shall automatically come into being on either July 1 or January 1 following the date of such

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1 approval, whichever is earlier. The state board shall mail by certified
 2 United States mail, return receipt requested, a copy of such resolution
 3 certified by its director or its secretary to the recorder of the county
 4 from which the county committee having jurisdiction of such existing
 5 school corporation was appointed and to such county committee. Such
 6 resolution may change the time of election or appointment of the board
 7 members of such school corporation or the time such board members
 8 take office. The recorder shall without cost record such certified
 9 resolution in the miscellaneous records of the county. Such recording
 10 shall constitute a permanent record of the action of the state board and
 11 may be relied on by any person. Unless the resolution otherwise
 12 provides no interim board member shall be appointed, the board
 13 members in office on the date of such action shall continue to
 14 constitute the board of trustees of such school corporation until their
 15 successors are qualified, and the terms of their respective office and
 16 board membership shall remain unchanged except to the extent that
 17 such resolution otherwise provides. For all purposes under this chapter,
 18 community school corporation shall be regarded as a school
 19 corporation created under the provisions of section 22 of this chapter.

20 SECTION 54. IC 20-4-5-9 IS AMENDED TO READ AS
 21 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. (a) Except as
 22 otherwise provided with respect to the power to issue bonds in section
 23 10 of this chapter, said school board shall perform the duties and shall
 24 have all the powers vested in the school board or board of trustees of
 25 a school city of the class in which the consolidated school corporation
 26 would fall on the basis of its population according to the last preceding
 27 United States census under the statutes of this state, if it were organized
 28 as a school city. In the event, however, such consolidated school
 29 corporation has a population determined in such manner of less than
 30 two thousand (2,000), such school board shall perform the duties and
 31 shall have all the powers vested in the school board of a school town.
 32 The cost of maintaining such consolidated schools shall be borne by the
 33 consolidated school corporation, as a single ~~tax~~ **taxing** unit.

34 (b) **Except as provided in IC 6-1.1-19-1.9,** taxes to meet ~~such the~~
 35 cost **described in subsection (a)** shall be levied by ~~said the~~
 36 consolidated school board at a uniform and equal rate on all the taxable
 37 property located within the limits of ~~said the~~ consolidated school
 38 corporation, and collected in the city or cities, town or towns, township
 39 or townships in the same manner as other taxes are levied and
 40 collected.

41 SECTION 55. IC 20-4-8-11 IS AMENDED TO READ AS
 42 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 11. (a) The board as

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above referred to shall make decisions pertaining to the general conduct of the schools which shall be enforced as entered upon the minutes recorded by the secretary of the board, and subject to provisions in this chapter otherwise, shall exercise all powers previously exercised under the law, by or through township trustees or meetings or petitions of the township trustees of the county, or county boards of education previously existing and such offices, namely, township trustee, county board or county boards of education insofar as the conduct of public schools is concerned are abolished as of noon on the day and date the county school corporation is created and comes into existence under this chapter.

(b) The county superintendent of schools and other persons employed for administrative or supervisory duties may be deemed to be supervisors of instruction.

(c) The government of the common schools of the county shall be vested in the board, and the board shall function with all the authority, powers, privileges, duties, and obligations previously granted to or required of school cities and their governing boards generally under the laws pertaining thereto with reference to the purchase of supplies, purchase and sale of buildings, grounds, and equipment, the erection of buildings, the employment and dismissal of school personnel, the insuring of property and employees, the levying and collecting of taxes, the making and executing of a budget, the borrowing of money, the paying of the salaries and expenses of the county superintendent and employees as approved by the board, shall be a body corporate and politic by the name and style of "The County School Corporation of _____ County, Indiana" with the right to prosecute and defend suits, and shall act in any manner necessary to the proper administration of the common schools of the county.

(d) School corporations shall be vested with all rights, titles, and interests of their respective predecessor ~~township~~ **townships** and town school corporations terminated and in all the real, personal, and other property of any nature and from whatever source derived, ~~and~~ shall assume, pay, and be liable for all the indebtedness, obligations, ~~and~~ liabilities, and duties of the predecessor corporations from whatever source derived and however arising, and shall institute and defend suits arising out of aforesaid liabilities, obligations, duties, and rights assumed as a county school corporation.

(e) The treasurer, before entering upon the duties of ~~his~~ **the treasurer's** office, shall execute a bond to the acceptance of the county auditor in an amount equal to the largest sum of money that will be in the possession of the treasurer at any one time, conditioned as an

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1 ordinary official bond, with a reliable surety company or at least two
 2 (2) sufficient freehold sureties, who shall not be members of such
 3 board, as surety or sureties on such bond. The president and the
 4 secretary shall each give bond, with like surety or sureties, to be
 5 approved by the county auditor, in the sum of one-fourth (1/4) of said
 6 amount. Boards of school trustees may purchase bonds from some
 7 reliable surety company and pay for them out of the special school
 8 revenue of their respective counties.

9 (f) The powers set forth in this section shall not be considered as or
 10 construed to limit the power and authority of such boards to the powers
 11 therein expressly conferred or to restrict or modify any powers or
 12 authority granted by any other law not in conflict with the provisions
 13 of this section.

14 (g) **Except as provided in IC 6-1.1-19-1.9**, every such board shall
 15 have the power annually to levy such amount of taxes as in the
 16 judgment of such board, made matter of record in its minutes, should
 17 be levied to produce income sufficient to conduct and carry on the
 18 common schools committed to such board, and it is made the duty of
 19 such board annually to levy a rate and levy that will produce a sum
 20 sufficient to meet all payments of principal and interest as they will
 21 mature in the year for which such levy is made on the bonds, notes, or
 22 other obligations of such board.

23 (h) The power of ~~such the board in so making to make~~ tax levies
 24 shall be exercised within existing statutory limits and said levies shall
 25 be subject to the same review as school city levies.

26 SECTION 56. IC 20-4-8-21 IS AMENDED TO READ AS
 27 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 21. (a) The board as
 28 referred to in this chapter shall make decisions pertaining to the general
 29 conduct of the schools which shall be enforced as entered upon the
 30 minutes recorded by the secretary of the board, and, subject to this
 31 chapter, shall exercise all powers previously exercised under the law,
 32 by or through township trustees or meetings or petitions of the
 33 township trustees of the county, ~~and/or or~~ county boards of education
 34 previously existing, and such offices, namely township trustee, county
 35 board ~~and/or or~~ county boards of education insofar as the conduct of
 36 public schools is concerned are hereby abolished as of noon on the day
 37 and date the metropolitan school district is created and comes into
 38 existence.

39 (b) The metropolitan superintendent of schools and other persons
 40 employed for administrative or supervisory duties may be deemed to
 41 be supervisors of instruction and as such eligible, subject to the rules
 42 that have been or shall be adopted by the **Indiana** state board of

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1 education, to qualify for teaching units in accordance with law.

2 (c) The government of the common schools of said district shall be
3 vested in the board, and the board shall function with all the authority,
4 powers, privileges, duties, and obligations previously granted to or
5 required of school cities and their governing boards generally under the
6 laws pertaining thereto with reference to the purchase of supplies,
7 purchase and sale of buildings, grounds, and equipment, the erection
8 of buildings, the employment and dismissal of school personnel, the
9 insuring of property and employees, the levying and collecting of taxes,
10 the making and executing of a budget, the borrowing of money, the
11 paying of the salaries and expenses of the county superintendent and
12 employees as approved by the board; shall be a body corporate and
13 politic by the name and style of "The Metropolitan School District of
14 _____, Indiana" with the right to prosecute and defend suits and
15 shall act in any manner necessary to the proper administration of the
16 common schools of the county.

17 (d) Such school districts shall be vested with all rights, titles, and
18 interests of their respective predecessor township and town school
19 corporations hereby terminated and in all the real, personal, and other
20 property of any nature and from whatever source derived, and shall
21 assume, pay, and be liable for all the indebtedness, obligations, and
22 liabilities and duties of said predecessor corporations from whatever
23 source derived and however arising and shall institute and defend suits
24 arising out of aforesaid liabilities, obligations, duties, and rights
25 assumed as a metropolitan school district.

26 (e) The treasurer, before entering upon the duties of his office, shall
27 execute a bond to the acceptance of the county auditor which shall in
28 no event be greater than the largest sum of money that will be in the
29 possession of the treasurer at any one (1) time. The board of education
30 may purchase said bond from a reliable surety company and pay for it
31 out of the special school revenue of the metropolitan district.

32 (f) The powers set forth in this section shall not be considered as or
33 construed to limit the power and authority of such boards to the powers
34 therein expressly conferred or to restrict or modify any powers or
35 authority granted by any other law not in conflict with the provisions
36 of this section.

37 (g) **Except as provided in IC 6-1.1-19-1.9**, every such board shall
38 have the power annually to levy such amount of taxes as in the
39 judgment of such board, made matter of record in its minutes, should
40 be levied to produce income sufficient to conduct and carry on the
41 common schools committed to such board, and it is hereby made the
42 duty of such board annually to levy a rate and levy that will produce a

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sum sufficient to meet all payments of principal and interest as they will mature in the year for which such levy is made on the bonds, notes, or other obligations of such board.

(h) The power of ~~such the~~ board ~~in so making to make~~ tax levies shall be exercised within statutory limits and said levies shall be subject to the same review as school city levies.

SECTION 57. IC 20-4-16-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. As used in this chapter, the following terms shall have the following meanings:

(a) "City" or "town" shall be a city or town ~~which that~~ conducts its school as school city or school town or as part of a consolidated or metropolitan school corporation.

(b) "Annexing school corporation" shall be the school corporation of any city or town ~~which that~~ annexes territory.

(c) "Original school corporation" shall be a school corporation from whom territory is annexed.

(d) "Annexed territory" shall be the territory annexed from an original school corporation by such city or town.

(e) "Tax receipts" shall be the amounts received from the tax levy for the ~~tuition and~~ special school ~~funds fund and, before January 1, 2004, from tuition support~~ by the original school corporation from the annexed territory.

SECTION 58. IC 20-5-4-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 6. If the governing board ~~shall find, finds~~, by written resolution, that an emergency exists which requires the expenditure of any money for any lawful corporate purpose which was not included in its existing budget, ~~and tax levy~~, it may authorize the making of an emergency loan **to be paid before the end of the following budget year**, which may be evidenced by the issuance of its note or notes in the same manner and subject to the same procedure and restrictions as provided for the issuance of its bonds, except as to purpose. **Except as provided in IC 6-1.1-19-1.9**, at the time for making the next annual budget and tax levy for such school corporation, the governing body shall make a levy to the credit of the fund for which such expenditure is made sufficient to pay such debt and the interest thereon; however, the interest on the loan may be paid from the debt service fund.

SECTION 59. IC 20-5-4-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 8. (a) Whenever the governing board of a school corporation finds and declares that an emergency exists for the borrowing of money with which to pay current expenses from a particular fund before the receipt of:



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1 **(1) before January 1, 2006,** revenues from taxes levied or state
2 tuition support distributions for such fund;

3 **(2) after December 31, 2005, any money for such fund;**
4 the governing board may issue warrants in anticipation of the receipt
5 of said revenues **or money.**

6 (b) The principal of ~~these~~ the warrants **described in subsection (a)**
7 ~~shall be~~ **are** payable solely from the fund ~~for which the taxes are levied~~
8 **that receives the loan proceeds** or from the general fund in the case
9 of anticipated state tuition support distributions. ~~However,~~ The interest
10 on ~~these~~ the warrants may be paid from the debt service fund, from the
11 fund ~~for which the taxes are levied~~, **that receives the loan proceeds,**
12 or the general fund in the case of anticipated state tuition support
13 distributions.

14 (c) The amount of principal of temporary loans maturing on or
15 before June 30 for any fund ~~shall~~ **may** not exceed eighty percent (80%)
16 of the amount of:

17 **(1) before January 1, 2006,** taxes and state tuition support
18 distributions estimated to be collected or received for and
19 distributed to the fund **at not later than** the June settlement; **or**

20 **(2) after December 31, 2005, the amount of money estimated**
21 **to be received for and distributed to the fund not later than**
22 **the June settlement.**

23 (d) The amount of principal of temporary loans maturing after June
24 30, and on or before December 31, ~~shall~~ **may** not exceed eighty percent
25 (80%) of the amount of:

26 **(1) before January 1, 2006,** taxes and state tuition support
27 distributions estimated to be collected or received for and
28 distributed to the fund **at not later than** the December settlement;
29 **or**

30 **(2) after December 31, 2005, the amount of money estimated**
31 **to be received for and distributed to the fund not later than**
32 **the December settlement.**

33 (e) At each settlement, the amount of:

34 **(1) before January 1, 2006,** taxes and state tuition support
35 distributions estimated to be collected or received for and
36 distributed to the fund; **or**

37 **(2) after December 31, 2005, money estimated to be received**
38 **in the fund;**

39 includes any allocations to the fund from the property tax replacement
40 fund.

41 (f) The estimated amount of:

42 **(1) before January 1, 2006,** taxes and state tuition support

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distributions to be collected or received and distributed; **or**

(2) after December 31, 2005, money to be received;

shall be made by the county auditor or the auditor's deputy. The warrants evidencing any loan in anticipation of ~~tax revenue or state tuition support distributions~~ shall not be delivered to the purchaser of the warrant nor payment made on the warrant before January 1 of the year the loan is to be repaid. However, the proceedings necessary to the loan may be held and carried out before January 1 and before the approval. The loan may be made even though a part of the last preceding June or December settlement has not yet been received.

(g) Proceedings for the issuance and sale of warrants for more than one (1) fund may be combined, but separate warrants for each fund shall be issued and each warrant ~~shall~~ **must** state on its face the fund from which its principal is payable. No action to contest the validity of such warrants ~~shall~~ **must** be brought later than fifteen (15) days from the first publication of notice of sale.

(h) No issue of ~~tax or state tuition support~~ anticipation warrants shall be made if the aggregate of all these warrants ~~exceed~~ **exceeds** twenty thousand dollars (\$20,000) until the issuance is advertised for sale, bids received, and an award made by the governing board as required for the sale of bonds, except that the sale notice need not be published outside of the county nor more than ten (10) days before the date of sale.

SECTION 60. IC 20-5-13-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. (a) All school cities, school townships, school towns, and joint districts are hereby authorized to establish, equip, operate, and maintain school kitchens and school lunch rooms for the improvement of the health of the school children attending school therein and for the advancement of the educational work of their respective schools, to employ all necessary directors, assistants, and agents, and **to appropriate funds of such a school corporations corporation** for such purpose. Such participation in a school lunch program pursuant to the provisions of this chapter shall be discretionary with the governing board of any school corporation.

(b) In the event that federal funds are not available for the purpose of carrying on a school lunch program, the state of Indiana shall not participate in ~~such the~~ school lunch program and any money appropriated by the state of Indiana for such purpose and not expended shall immediately revert to the state general fund. Failure on the part of the state of Indiana to participate in the school lunch program shall not invalidate any appropriation made or school lunch program carried

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on by any school corporation by means of gifts or **other** money ~~raised by tax levy pursuant to the provisions of this chapter~~ **available** for the purpose of such school lunch program.

SECTION 61. IC 20-5-17.5-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. (a) This subsection does not apply to a school corporation in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000). The governing body of a school corporation may:

(1) before January 1, 2006, annually appropriate from its general fund a sum of not more than five-tenths of one cent (\$0.005) on each one hundred dollars (\$100) of assessed valuation in the school corporation; or

(2) after December 31, 2005, annually levy and appropriate from its general fund a sum that does not exceed the amount that would be raised by a property tax rate of five-tenths of one cent (\$0.005) on each one hundred dollars (\$100) of assessed valuation in the school corporation;

to be paid to a historical society, subject to subsection (c).

(b) This subsection applies only to a school corporation in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000). To provide funding for a historical society under this section, the governing body of a school corporation may impose a **property tax rate** of not more than five-tenths of one cent (\$0.005) on each one hundred dollars (\$100) of assessed valuation in the school corporation. This tax is not subject to the tax levy limitations imposed on the school corporation by IC 6-1.1-19-1.5 (**repealed January 1, 2006**) or the provisions of IC 21-2-11-8 (**repealed January 1, 2006**). The school corporation shall deposit the proceeds of the tax in a fund to be known as the historical society fund. The historical society fund is separate and distinct from the school corporation's general fund and may be used only for the purpose of providing funds for a historical society under this section. Subject to subsection (c), the governing body of the school corporation may annually appropriate the money in the fund to be paid in semiannual installments to a historical society having facilities in the county.

(c) Before a historical society may receive payments under this section, its governing board must adopt a resolution that entitles:

(1) the governing body of the school corporation to appoint its superintendent and one (1) of its history teachers as visitors, with the privilege of attending all meetings of the society's governing

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board;

(2) the governing body of the school corporation to nominate two

(2) persons for membership on the society's governing board;

(3) the school corporation to use any of the society's facilities and equipment for educational purposes consistent with the society's

purposes;

(4) the students and teachers of the school corporation to tour the society's museum, if any, free of charge; and

(5) the school corporation to borrow artifacts from the society's collection, if any, for temporary exhibit in the schools.

SECTION 62. IC 20-5-17.5-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2004]: Sec. 3. (a) This section applies to school corporations in a county containing a city having a population of:

(1) more than one hundred fifty thousand (150,000) but less than five hundred thousand (500,000);

(2) more than one hundred twenty thousand (120,000) but less than one hundred fifty thousand (150,000);

(3) more than one hundred ten thousand (110,000) but less than one hundred twenty thousand (120,000);

(4) more than ninety thousand (90,000) but less than one hundred ten thousand (110,000); or

(5) more than seventy-five thousand (75,000) but less than ninety thousand (90,000).

(b) In order to provide funding for an art association under this section, the governing body of a school corporation may impose a tax of not more than five-tenths of one cent (\$0.005) on each one hundred dollars (\$100) of assessed valuation in the school corporation. This tax is not subject to the tax levy limitations imposed on the school corporation by IC 6-1.1-19-1.5 (**repealed January 1, 2006**) or the provisions of IC 21-2-11-8 (**repealed January 1, 2006**).

(c) The school corporation shall deposit the proceeds of the tax imposed under subsection (b) in a fund to be known as the art association fund. The art association fund is separate and distinct from the school corporation's general fund and may be used only for the purpose of providing funds for an art association under this section. The governing body of the school corporation may annually appropriate the money in the fund to be paid in semiannual installments to an art association having facilities in a city that is listed in subsection (a), subject to subsection (d).

(d) Before an art association may receive payments under this section, its governing board must adopt a resolution that entitles:

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(1) the governing body of the school corporation to appoint its superintendent and its director of art instruction as visitors, with the privilege of attending all meetings of the association's governing board;

(2) the governing body of the school corporation to nominate persons for membership on the association's governing board, with at least two (2) of the nominees to be elected;

(3) the school corporation to use any of the association's facilities and equipment for educational purposes consistent with the association's purposes;

(4) the students and teachers of the school corporation to tour the association's museum and galleries free of charge;

(5) the school corporation to borrow materials from the association for temporary exhibit in the schools;

(6) the teachers of the school corporation to receive normal instruction in the fine and applied arts at half the regular rates charged by the association; and

(7) the school corporation to expect such exhibits in the association's museum as will supplement the work of the students and teachers of the corporation.

A copy of the resolution, certified by the president and secretary of the association, must be filed in the office of the school corporation before payments may be received.

(e) A resolution filed under subsection (d) need not be renewed from year to year but continues in effect until rescinded. An art association that complies with this section is entitled to continue to receive payments under this section as long as it so complies.

(f) Whenever more than one (1) art association in a city that is listed in subsection (a) qualifies to receive payments under this section, the governing body of the school corporation shall select the one (1) art association best qualified to perform the services described by subsection (c). A school corporation may select only one (1) art association to receive payments under this section.

SECTION 63. IC 20-5-62-6, AS AMENDED BY P.L.77-1999, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 6. Except as provided in this chapter and notwithstanding any other law, a freeway school corporation or a freeway school may do the following during the contract period:

(1) Disregard the observance of any statute or rule that is listed in the contract.

(2) Lease school transportation equipment to others for nonschool use when the equipment is not in use for a school corporation

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purpose, if the lessee has not received a bid from a private entity to provide transportation equipment or services for the same purpose.

(3) Replace the budget and accounting system that is required by law with a budget or accounting system that is frequently used in the private business community. The state board of accounts may not go beyond the requirements imposed upon the state board of accounts by statute in reviewing the budget and accounting system used by a freeway school corporation or a freeway school.

(4) Establish a professional development and technology fund to be used for:

(A) professional development; or

(B) technology, including video distance learning.

However, any money deposited in the professional development and technology fund for technology purposes must be transferred to the school technology fund established under IC 21-2-18.

(5) Subject to subdivision (4), transfer funds obtained from sources other than state or local government taxation among any accounts of the school corporation, including a professional development and technology fund established under subdivision (4).

(6) Transfer funds obtained from property taxation and from state distributions ~~among~~ **between** the general fund (established under IC 21-2-11) and the school transportation fund (established under IC 21-2-11.5), subject to the following:

(A) For property taxes first due and payable:

(i) before January 1, 2006, the sum of the property tax rates for the general fund and the school transportation fund after a transfer occurs under this subdivision may not exceed the sum of the property tax rates for the general fund and the school transportation fund before a transfer occurs under this subdivision; **and**

(ii) after December 31, 2005, the property tax rate for the school transportation fund after a transfer occurs under this subdivision may not exceed the property tax rate for the school transportation fund before a transfer occurs under this subdivision.

(B) This subdivision does not allow a school corporation to transfer to any other fund money from the:

(i) capital projects fund (established under IC 21-2-15); or

(ii) debt service fund (established under IC 21-2-4).

(7) Establish a locally adopted assessment program to replace the

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assessment of students under the ISTEP program established under IC 20-10.1-16-8, subject to the following:

(A) A locally adopted assessment program must be established by the governing body and approved by the department.

(B) A locally adopted assessment program may use a locally developed test or a nationally developed test.

(C) Results of assessments under a locally adopted assessment program are subject to the same reporting requirements as results under the ISTEP program.

(D) Each student who completes a locally adopted assessment program and the student's parent or guardian ~~has~~ **have** the same rights to inspection and rescoring as are set forth in IC 20-10.1-16-7(d).

SECTION 64. IC 20-8.1-6.1-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 8. (a) As used in this section, the following terms have the following meanings:

(1) "Class of school" refers to a classification of each school or program in the transferee corporation by the grades or special programs taught at the school. Generally, these classifications are denominated as kindergarten, elementary school, middle school or junior high school, high school, and special schools or classes, such as schools or classes for special education, vocational training, or career education.

(2) "ADM" means the following:

(A) For purposes of allocating to a transfer student state distributions under IC 21-1-30 (primetime), "ADM" as computed under IC 21-1-30-2.

(B) For all other purposes, "ADM" as set forth in IC 21-3-1.6-1.1.

(3) "Pupil enrollment" means the following:

(A) The total number of students in kindergarten through grade 12 who are enrolled in a transferee school corporation on a date determined by the Indiana state board of education.

(B) The total number of students enrolled in a class of school in a transferee school corporation on a date determined by the Indiana state board of education.

However, a kindergarten student shall be counted under clauses (A) and (B) as one-half (1/2) a student.

(4) "Special equipment" means equipment that during a school year:

(A) is used only when a child with disabilities is attending school;

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(B) is not used to transport a child to or from a place where the child is attending school;

(C) is necessary for the education of each child with disabilities that uses the equipment, as determined under the individualized instruction program for the child; and

(D) is not used for or by any child who is not a child with disabilities.

The Indiana state board of education may select a different date for counts under subdivision (3). However, the same date shall be used for all school corporations making a count for the same class of school.

(b) Each transferee corporation is entitled to receive for each school year on account of each transferred student, except a student transferred under section 3 of this chapter, transfer tuition from the transferor corporation or the state as provided in this chapter. Transfer tuition equals the amount determined under STEP THREE of the following formula:

STEP ONE: Allocate to each transfer student the capital expenditures for any special equipment used by the transfer student and a proportionate share of the operating costs incurred by the transferee school for the class of school where the transfer student is enrolled.

STEP TWO: If the transferee school included the transfer student in the transferee school's ADM for a school year, allocate to the transfer student a proportionate share of the following general fund revenues of the transferee school for, except as provided in clause (C), the calendar year in which the school year ends:

(A) The following state distributions that are computed in any part using ADM or other pupil count in which the student is included:

- (i) Primetime grant under IC 21-1-30.
- (ii) Tuition support for basic programs and at-risk weights under IC 21-3-1.7-8 (before January 1, 1996) and only for basic programs (after December 31, 1995).
- (iii) Enrollment growth grant under IC 21-3-1.7-9.5.
- (iv) At-risk grant under IC 21-3-1.7-9.7.
- (v) Academic honors diploma award under IC 21-3-1.7-9.8.
- (vi) Vocational education grant under IC 21-3-1.8-3.
- (vii) Special education grant under IC 21-3-1.8 (repealed January 1, 1996) or IC 21-3-10.
- (viii) The portion of the ADA flat grant that is available for the payment of general operating expenses under IC 21-3-4.5-2(b)(1).

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(B) For school years beginning:

(i) after June 30, 1997; **and**

(ii) **before January 1, 2006;**

property tax levies.

(C) For school years beginning after June 30, 1997, excise tax revenue (as defined in IC 21-3-1.7-2) received for deposit in the calendar year in which the school year begins.

(D) For school years beginning after June 30, 1997, allocations to the transferee school under IC 6-3.5.

STEP THREE: Determine the greater of:

(A) zero (0); or

(B) the result of subtracting the STEP TWO amount from the STEP ONE amount.

If a child is placed in an institution or facility in Indiana under a court order, the institution or facility shall charge the county office of the county of the student's legal settlement under IC 12-19-7 for the use of the space within the institution or facility (commonly called capital costs) that is used to provide educational services to the child based upon a prorated per student cost.

(c) Operating costs shall be determined for each class of school where a transfer student is enrolled. The operating cost for each class of school is based on the total expenditures of the transferee corporation for the class of school from its general fund expenditures as specified in the classified budget forms prescribed by the state board of accounts. This calculation excludes:

(1) capital outlay;

(2) debt service;

(3) costs of transportation;

(4) salaries of board members;

(5) contracted service for legal expenses; and

(6) any expenditure which is made out of the general fund from extracurricular account receipts;

for the school year.

(d) The capital cost of special equipment for a school year is equal to:

(1) the cost of the special equipment; divided by

(2) the product of:

(A) the useful life of the special equipment, as determined under the rules adopted by the Indiana state board of education; multiplied by

(B) the number of students using the special equipment during at least part of the school year.

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(e) When an item of expense or cost described in subsection (c) cannot be allocated to a class of school, it shall be prorated to all classes of schools on the basis of the pupil enrollment of each class in the transferee corporation compared to the total pupil enrollment in the school corporation.

(f) Operating costs shall be allocated to a transfer student for each school year by dividing:

(1) the transferee school corporation's operating costs for the class of school in which the transfer student is enrolled; by

(2) the pupil enrollment of the class of school in which the transfer student is enrolled.

When a transferred student is enrolled in a transferee corporation for less than the full school year of pupil attendance, the transfer tuition shall be calculated by the portion of the school year for which the transferred student is enrolled. A school year of pupil attendance consists of the number of days school is in session for pupil attendance. A student, regardless of the student's attendance, is enrolled in a transferee school unless the student is no longer entitled to be transferred because of a change of residence, the student has been excluded or expelled from school for the balance of the school year or for an indefinite period, or the student has been confirmed to have withdrawn from school. The transferor and the transferee corporation may enter into written agreements concerning the amount of transfer tuition due in any school year. Where an agreement cannot be reached, the amount shall be determined by the Indiana state board of education, and costs may be established, when in dispute, by the state board of accounts.

(g) A transferee school shall allocate revenues described in subsection (b) STEP TWO to a transfer student by dividing:

(1) the total amount of revenues received; by

(2) the ADM of the transferee school for the school year that ends in the calendar year in which the revenues are received.

However, for state distributions under IC 21-1-30, IC 21-3-10, or any other statute that computes the amount of a state distribution using less than the total ADM of the transferee school, the transferee school shall allocate the revenues to the transfer student by dividing the revenues that the transferee school is eligible to receive in a calendar year by the pupil count used to compute the state distribution.

(h) In lieu of the payments provided in subsection (b), the transferor corporation or state owing transfer tuition may enter into a long term contract with the transferee corporation governing the transfer of students. This contract is for a maximum period of five (5) years with

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an option to renew, and may specify a maximum number of pupils to be transferred and fix a method for determining the amount of transfer tuition and the time of payment, which may be different from that provided in section 9 of this chapter.

(i) If the school corporation can meet the requirements of IC 21-1-30-5, it may negotiate transfer tuition agreements with a neighboring school corporation that can accommodate additional students. Agreements under this section may be for one (1) year or longer and may fix a method for determining the amount of transfer tuition or time of payment that is different from the method, amount, or time of payment that is provided in this section or section 9 of this chapter. A school corporation may not transfer a student under this section without the prior approval of the child's parent or guardian.

(j) **This subsection applies only to property taxes first due and payable before January 1, 2006.** If a school corporation experiences a net financial impact with regard to transfer tuition that is negative for a particular school year as described in IC 6-1.1-19-5.1 **(repealed January 1, 2006)**, the school corporation may appeal for an excessive levy as provided under IC 6-1.1-19-5.1 **(repealed January 1, 2006)**.

SECTION 65. IC 20-8.1-6.5-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 4. (a) Where a transfer is ordered to commence in a school year, where the transferor corporation has net additional costs over savings (on account of any transfer ordered) allocable to the calendar year in which the school year begins, and where the transferee corporation has no budgeted funds for such net additional costs, ~~they~~ **the costs** may be recovered by one (1) or more of the following methods in addition to any other methods provided by applicable law:

(1) An emergency loan made pursuant to IC 20-5-4-6 to be paid, however, out of the debt service levy and fund, or a loan from any state fund made available therefor.

(2) An advance in such calendar year of state funds, which would otherwise become payable to the transferee corporation after such calendar year pursuant to applicable law.

(3) A grant or grants in such calendar year from any funds of the state made available therefor.

(b) The net additional costs shall be certified by the state board of tax commissioners, and any grant shall be made solely after affirmative recommendation of the tax control board created by IC 6-1.1-19-4.1. Repayment of any advance or loan from the state shall be made in accordance with IC 6-1.1-19-4.5(d) **(repealed January 1, 2006)** and **IC 6-1.1-19-4.4(c)**. ~~The~~ Use of any of the methods enumerated above

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1 shall not subject the transferor corporation to the provisions of
2 IC 6-1.1-19-4.7 (**repealed January 1, 2006**).

3 SECTION 66. IC 20-8.1-6.5-9 IS AMENDED TO READ AS
4 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. ~~Transportation Costs~~
5 ~~to State Reimbursement.~~ (a) Transportation costs for transferred
6 students for each calendar year or for capital outlay and for operations
7 shall be reimbursed by the state to the transferor corporation in the
8 same percent of the total outlay which the distributions to the transferor
9 corporation under IC 1971, 21-3-1.5-3, or from the state flat grant
10 distribution account where it is credited to the general transportation
11 fund constitute of its total annual general transportation fund
12 appropriations for such year. In this calculation there shall be excluded
13 from general transportation fund appropriations capital outlay and
14 debt service. and any expenditure which is made out of the general
15 fund from extracurricular accounts.

16 (b) Before January 1, 2006, any amount not thus reimbursed and
17 under this section or raised as part of the transferor corporation's
18 general fund levy shall constitute an increase in its the transferor
19 corporation's base tax levy for such budget year, as otherwise defined
20 and as applied in IC 6-1.1-1-16 and IC 6-1.1-19.

21 (c) In no event shall the state reimbursement for transportation
22 operating expense to the transferor corporation be less than it the
23 transferor corporation would receive under applicable law without
24 regard to this section.

25 SECTION 67. IC 20-8.1-7-18 IS AMENDED TO READ AS
26 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 18. (a) Whenever the
27 test required under section 17 of this chapter discloses that the hearing
28 of any child is impaired and the child cannot be taught advantageously
29 in regular classes, the governing body of the school corporation shall
30 provide appropriate remedial measures and correctional devices. The
31 governing body shall advise the child's parents of the proper medical
32 care, attention, and treatment needed. The governing body shall
33 provide approved mechanical auditory devices and prescribe courses
34 in lip reading by qualified, competent and approved instructors. The
35 superintendent of public instruction and the head of the rehabilitative
36 services bureau of the division of disability, aging, and rehabilitative
37 services shall cooperate with school corporations to provide this
38 assistance; they shall also provide advice and information to assist
39 school corporations in complying with this section. The local governing
40 body may adopt rules and regulations for the administration of this
41 section.

42 (b) Each school corporation may receive and accept bequests and



1 donations for immediate use or as trusts or endowments to assist in
 2 meeting costs and expenses incurred in complying with the
 3 requirements of this section. When funds for the full payment of these
 4 expenses are not otherwise available in any school corporation, any
 5 unexpended balance in the state treasury which is available for the use
 6 of local schools and is otherwise unappropriated may be loaned to the
 7 school corporation for that purpose by the governor. Any loan made by
 8 the governor under this section shall be repaid to the fund in the state
 9 treasury from which it came within two (2) years after the date it was
 10 advanced. **These Before January 1, 2006, loans made under this**
 11 **section shall be repaid through the levying of taxes in the borrowing**
 12 **school corporation. After December 31, 2005, loans made under this**
 13 **section shall be repaid from funds available to the school**
 14 **corporation. If the advance is not repaid, the amount due may be**
 15 **withheld from the distribution of other state funds to the school**
 16 **corporation to which the advance is made.**

17 SECTION 68. IC 20-9.1-1-3 IS AMENDED TO READ AS
 18 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 3. ~~Definition, "Private~~
 19 ~~School":~~ As used in this article, the term "private school" means any
 20 school ~~which is not supported and maintained by funds realized from~~
 21 ~~the imposition of a tax on property, income or sales: that is not a~~
 22 **school corporation (as defined in IC 36-1-2-17).**

23 SECTION 69. IC 20-10.1-6.5-1 IS AMENDED TO READ AS
 24 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. As used in this
 25 chapter:

26 "Advancement fund" refers to the school technology advancement
 27 account as created under section 4 of this chapter.

28 "Board" refers to the **Indiana** state board of education established
 29 under IC 20-1-1-1.

30 "School corporation" ~~means any corporation authorized by law to~~
 31 ~~establish public schools and levy taxes for their maintenance: has the~~
 32 **meaning set forth in IC 36-1-2-17.**

33 SECTION 70. IC 21-2-3.1-1 IS AMENDED TO READ AS
 34 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. This chapter applies
 35 if a township board finds, at an annual or special meeting of the board,
 36 that:

37 (1) it is necessary to provide for the construction of a school
 38 building; and

39 (2) the cost of the building, or the proportional cost if it is a joint
 40 graded high school building, will be in excess of:

41 **(A) before January 1, 2006, the sum available from an annual**
 42 **levy; or**



(B) after December 31, 2005, the amount of available funds.

SECTION 71. IC 21-2-4-7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 7. After January 1, 2006, a school corporation shall annually levy a sum sufficient to meet all payments of principal and interest on debt service payable from the debt service fund as the payments mature.**

SECTION 72. IC 21-2-5.6-3, AS AMENDED BY P.L.232-1999, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 3.** This section applies to self-insurance funds permitted to be established under section 1(1) of this chapter and self-insurance funds required to be established under section 1(2) of this chapter. Subject to the approval of the commissioner of the department of insurance, the governing body of the school corporation is authorized to:

- (1) transfer to the self-insurance fund an amount of money in:
 - (A) the general fund budget; and
 - (B) **for property taxes first due and payable before January 1, 2006,** the general fund tax levy and rate;
- (2) transfer ~~monies~~ **money** from the general fund to the self-insurance fund; or
- (3) appropriate monies from the general fund for the self-insurance fund.

SECTION 73. IC 21-2-11-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 2.** The governing body of each school corporation in the state of Indiana shall establish a general fund for the operation and maintenance of local schools. ~~and~~ **The governing body shall levy a tax therefor in calendar years before January 1, 2006. Except as otherwise provided by statute,** all receipts and disbursements ~~heretofore authorized by law for school funds and tax levies for the tuition fund; special school fund; special fund; vocational fund; recreation fund; compulsory education fund; school library fund; high school library fund; public employee's retirement fund; operating fund; transportation tax and county wide school tax shall; on and after January 1, 1968; must~~ be received in and disbursed from the general fund. **For property taxes first due and payable before January 1, 2006,** the tax levy and rate for the general fund shall be established by the governing body of each school corporation. ~~for the 1968 calendar year and all succeeding calendar years. Any balances of all the aforesaid funds on January 1, 1968 shall be transferred to the general fund. The general assembly declares~~



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1 that sufficient tax revenues and distributions will be provided after
 2 December 31, 2005, so that each school corporation will be eligible
 3 to receive for its general fund an amount at least equal to the
 4 amount that the school corporation received in the immediately
 5 preceding year. Beginning in calendar year 2006, there is annually
 6 appropriated from the state general fund one hundred twenty
 7 million dollars (\$120,000,000) to be distributed to school
 8 corporations each year.

9 SECTION 74. IC 21-2-11-5 IS AMENDED TO READ AS
 10 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 5. Any self-supporting
 11 programs maintained by any school corporation, including but not
 12 limited to school lunch and rental or sale of textbooks, may be
 13 established as separate funds, separate and apart from the general fund,
 14 if no **state distributions under IC 21-3-1.7** or local ~~tax rate~~ **is**
 15 ~~established therefor.~~ **funds are involved.**

16 SECTION 75. IC 21-2-11-6, AS AMENDED BY P.L.77-1999,
 17 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 18 JULY 1, 2001]: Sec. 6. (a) ~~Moneys~~ **Money** received by any school
 19 corporation for a specific purpose or purposes, by gift, endowment or
 20 pursuant to any federal statute, may be accounted for by establishing
 21 separate funds, separate and apart from the general fund, if no **state**
 22 **distributions under IC 21-3-1.7** or local tax funds are involved.
 23 However, no such funds shall be accepted unless the terms of the gift,
 24 endowment or payment, and the acceptance thereof, are so stated that
 25 the officers of the school corporation are not divested of any right or
 26 authority which they ~~now have or may hereafter be~~ **are** granted by law.
 27 Such moneys so received for specific purposes, and any earnings
 28 thereon, may be disbursed without appropriation.

29 (b) Except as otherwise provided by federal law, all money received
 30 by the school corporation by grant, gift, endowment, or under federal
 31 law for any of the purposes described in IC 21-2-18-3 shall be
 32 deposited in the school technology fund established under IC 21-2-18.

33 SECTION 76. IC 21-2-11.5-5 IS ADDED TO THE INDIANA
 34 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 35 [EFFECTIVE JULY 1, 2001]: **Sec. 5. After December 31, 2005, a**
 36 **school corporation shall annually levy a sum sufficient to meet all**
 37 **payments of principal and interest on obligations payable from the**
 38 **transportation fund as the payments mature.**

39 SECTION 77. IC 21-2-15-15 IS ADDED TO THE INDIANA
 40 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 41 [EFFECTIVE JULY 1, 2001]: **Sec. 15. After December 31, 2005, a**
 42 **school corporation shall annually levy a sum sufficient to meet all**

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1 **payments of principal and interest on obligations payable from the**
 2 **capital projects fund as the payments mature.**

3 SECTION 78. IC 21-4-20-1 IS AMENDED TO READ AS
 4 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 1. Whenever it is found
 5 by the board of school trustees or other proper authorities of any school
 6 city or school town that an emergency exists for the borrowing of
 7 money with which to meet the current expenses of the schools of ~~such~~
 8 **the** school town or school city, the board of school trustees or other
 9 proper authorities of ~~such the~~ school city or school town may make
 10 temporary loans in anticipation of the current revenues of ~~such the~~
 11 school town or school city to an amount not exceeding fifty per cent
 12 (50%) of:

13 **(1) before January 1, 2006,** the amount of taxes actually levied
 14 and in the course of collection; **or**

15 **(2) after December 31, 2005, the revenue in the course of**
 16 **collection;**

17 for the fiscal year in which such loans are made. Revenues shall be
 18 deemed to be current and taxes shall be deemed to have been actually
 19 levied and in the course of collection when the budget levy and rate
 20 ~~shall~~ have been finally approved by the state board of tax
 21 commissioners. ~~Provided, However, That~~ in all second and third class
 22 school cities, no such loans shall be borrowed in excess of the sum of
 23 twenty thousand dollars (\$20,000) until the letting of the same shall
 24 have been advertised once each week for two (2) successive weeks in
 25 two (2) newspapers of general circulation published in ~~such the~~ school
 26 city, and until sealed bids have been submitted at a regular meeting of
 27 the school board of ~~such the~~ school city, pursuant to such notices,
 28 stipulating the rate of interest to be charged by ~~such the~~ bidder. ~~and~~
 29 ~~Provided, further, That~~ Such school loans shall be made with the bidder
 30 submitting the lowest rate of interest and submitting with ~~his the~~ bid an
 31 affidavit showing that no collusion exists between ~~himself the~~ bidder
 32 and any other bidder for such loan.

33 SECTION 79. IC 32-9-1.5-16 IS AMENDED TO READ AS
 34 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 16. For purposes of
 35 section 49 of this chapter, "political subdivision" includes any Indiana
 36 municipality, county, civil township, civil incorporated city or town,
 37 ~~public~~ school corporation (**as defined in IC 36-1-2-17**), university or
 38 college supported in part by state funds, or any other territorial
 39 subdivision of the state recognized or designated in any law, including
 40 judicial circuits, a public utility entity not privately owned, special
 41 taxing district or entity, and public improvement district authority or
 42 entity authorized to levy taxes or assessments. The term does not

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1 include any retirement system supported entirely or in part by the state.

2 SECTION 80. IC 36-1-2-2 IS AMENDED TO READ AS
3 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. "Bonds" means any
4 evidences of indebtedness, whether payable from property taxes,
5 revenues, or any other source. ~~but~~ **However, the term** does not include
6 notes or warrants representing temporary loans that are payable out of:

7 (1) taxes levied and in the course of collection; **or**

8 (2) **other deposits in the general fund of a school corporation.**

9 SECTION 81. IC 36-7-15.1-26.9 IS AMENDED TO READ AS
10 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 26.9. (a) The
11 definitions set forth in section 26.5 of this chapter apply to this section.

12 (b) The fiscal officer of the consolidated city shall publish in the
13 newspaper in the county with the largest circulation all determinations
14 made under section 26.5 or 26.7 of this chapter that result in the
15 allowance or disallowance of credits. The publication of a
16 determination made under section 26.5 of this chapter shall be made
17 not later than June 20 of the year in which the determination is made.
18 The publication of a determination made under section 26.7 of this
19 chapter shall be made not later than December 5 of the year in which
20 the determination is made.

21 (c) If credits are granted under section 26.5(g) or 26.5(h) of this
22 chapter, whether in whole or in part, property taxes on personal
23 property (as defined in IC 6-1.1-1-11) that are equal to the aggregate
24 amounts of the credits for all taxpayers in the allocation area under
25 section 26.5(g) and 26.5(h) of this chapter shall be:

26 (1) allocated to the redevelopment district;

27 (2) paid into the special fund for that allocation area; and

28 (3) used for the purposes specified in section 26 of this chapter.

29 (d) The county auditor shall adjust the estimate of assessed
30 valuation that the auditor certifies under IC 6-1.1-17-1 for all taxing
31 units in which the allocation area is located. The county auditor may
32 amend this adjustment at any time before the earliest date a taxing unit
33 must publish the unit's proposed property tax rate under IC 6-1.1-17-3
34 in the year preceding the year in which the credits under section
35 26.5(g) or 26.5(h) of this chapter are paid. The auditor's adjustment to
36 the assessed valuation shall be:

37 (1) calculated to produce an estimated assessed valuation that will
38 offset the effect that paying personal property taxes into the
39 allocation area special fund under subsection (c) would otherwise
40 have on the ability of a taxing unit to achieve the taxing unit's tax
41 levy in the following year; and

42 (2) used by the county board of tax adjustment, the state board of

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tax commissioners, and each taxing unit in determining each taxing unit's tax rate and tax levy in the following year.

(e) The amount by which a taxing unit's levy is adjusted as a result of the county auditor's adjustment of assessed valuation under subsection (d), and the amount of the levy that is used to make direct payments to taxpayers under section 26.5(h) of this chapter, is not part of the total county tax levy under IC 6-1.1-21-2(g) and is not subject to IC 6-1.1-20.

(f) The ad valorem property tax levy limits imposed by IC 6-1.1-18.5-3 and IC 6-1.1-19-1.5 (**repealed January 1, 2006**) do not apply to ad valorem property taxes imposed that are used to offset the effect of paying personal property taxes into an allocation area special fund during the taxable year under subsection (d) or to make direct payments to taxpayers under section 26.5(h) of this chapter. For purposes of computing the ad valorem property tax levy limits imposed under IC 6-1.1-18.5-3 and IC 6-1.1-19-1.5 (**repealed January 1, 2006**), a taxing unit's ad valorem property tax levy for a particular calendar year does not include that part of the levy imposed to offset the effect of paying personal property taxes into an allocation area special fund under subsection (d) or to make direct payments to taxpayers under section 26.5(h) of this chapter.

(g) Property taxes on personal property that are deposited in the allocation area special fund:

(1) are subject to any pledge of allocated property tax proceeds made by the redevelopment district under section 26(d) of this chapter, including but not limited to any pledge made to owners of outstanding bonds of the redevelopment district of allocated taxes from that area; and

(2) may not be treated as property taxes used to pay interest or principal due on debt under IC 6-1.1-21-2(g)(1)(D).

SECTION 82. THE FOLLOWING ARE REPEALED [EFFECTIVE JANUARY 1, 2005]: IC 6-2.5-1-1; IC 6-2.5-4-1; IC 6-2.5-4-2; IC 6-2.5-4-3; IC 6-2.5-4-5; IC 6-2.5-4-6; IC 6-2.5-4-10; IC 6-2.5-4-11; IC 6-2.5-4-12.

SECTION 83. THE FOLLOWING ARE REPEALED [EFFECTIVE JANUARY 1, 2006]: IC 6-1.1-19-1; IC 6-1.1-19-1.5; IC 6-1.1-19-1.7; IC 6-1.1-19-2; IC 6-1.1-19-4.5; IC 6-1.1-19-4.7; IC 6-1.1-19-4.9; IC 6-1.1-19-5.1; IC 6-1.1-19-6; IC 6-1.1-19-11; IC 6-1.1-21.5; IC 6-1.1-34; IC 20-3-11-18; IC 20-4-1-26.9; IC 20-4-8-23; IC 21-2-11-8; IC 21-2-12; IC 21-2-13; IC 21-2-14.

SECTION 84. [EFFECTIVE JULY 1, 2001] (a) As used in this SECTION, "balance" means the unencumbered balance in a

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1 school corporation's levy excess fund on January 1, 2006.

2 (b) The state board of tax commissioners may require a school
3 corporation to include the balance in the school corporation's levy
4 excess fund in the school corporation's budget fixed under
5 IC 6-1.1-17, as amended by this act.

6 (c) Except as provided in subsection (d), a school corporation
7 may not spend money in the balance of its levy excess fund until the
8 expenditure of the money is included in a budget that is approved
9 by the state board of tax commissioners under IC 6-1.1-17, as
10 amended by this act.

11 (d) A school corporation may transfer money from the balance
12 of its levy excess fund to its other funds to reimburse those funds
13 for amounts withheld from the school corporation as a result of
14 funds paid under IC 6-1.1-26.

15 (e) A school corporation may use money in the balance of its
16 levy excess fund for a lawful purpose for which money in its other
17 funds may be used.

18 SECTION 85. [EFFECTIVE JULY 1, 2001] An additional
19 property tax replacement credit shall be distributed to counties to
20 be applied to the tax liability of property taxpayers at the same
21 time and in the same manner as the property tax replacement
22 credit under IC 6-1.1-21. The amount of the credit that each
23 taxpayer is entitled to receive is the following percentage of the
24 taxpayer's liability (as defined in IC 6-1.1-21-5) for school
25 corporation general fund property taxes:

26 (1) Twenty percent (20%) for property taxes first due and
27 payable in 2002.

28 (2) Forty percent (40%) for property taxes first due and
29 payable in 2003.

30 (3) Sixty percent (60%) for property taxes first due and
31 payable in 2004.

32 (4) Eighty percent (80%) for property taxes first due and
33 payable in 2005.

34 The money to make the distributions is appropriated from the state
35 general fund.

36 SECTION 86. [EFFECTIVE JANUARY 1, 2005] (a) Except as
37 provided in subsection (b), all transactions governed by
38 IC 6-2.4-4-14, as added by this act, and IC 6-2.5-4, as amended by
39 this act, shall be considered to have occurred after December 31,
40 2004, to the extent that delivery of the property or services
41 constituting selling at retail is made on or after that date to the
42 purchaser or to the place of delivery designated by the purchaser.
43 However, a transaction shall be considered to have occurred before



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1 **January 1, 2005, to the extent that the agreement of the parties to**
2 **the transaction was entered into before November 1, 2004, and**
3 **payment for the property or services furnished in the transaction**
4 **is made before January 1, 2005, notwithstanding the delivery of the**
5 **property or services after December 31, 2004.**

6 **(b) With respect to a transaction constituting the furnishing of**
7 **public utility, telephone, or cable television services and**
8 **commodities, only transactions for which the charges are collected**
9 **upon original statements and billings dated after December 31,**
10 **2004, shall be considered as having occurred after December 31,**
11 **2004.**

12 **(c) This SECTION expires January 1, 2006.**

13 **SECTION 87. An emergency is declared for this act.**

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